

Slovakia's Meciar makes hay without a president

Constitutional void is playing into the hands of populist prime minister

Slovak deputies have performed a curious ritual over the past four months. A half-empty parliament has listlessly assembled seven times to go through the motions of choosing the country's president. Four sets of candidates have so far appeared before the divided chamber, but none has come close to winning the required support of three-fifths of all deputies.

Slovakia has been without a president for three months since Michal Kovach finished his term. If Kovach is elected before national elections in September, there will be no one to accept the resignation of a prime minister and appoint his successor.

If, as looks likely, Prime Minister Vladimir Meciar loses the election, the opposition fears he could use the constitutional vacuum to create a political crisis, causing further damage to the country's reputation.

By doing so, Mr Meciar would expose Slovak democracy's shallow roots. The mountainous and rural country remained a backwater under Hungarian rule until the first world war and never enjoyed the liberal political culture of its neighbours, the Czechs.

After Czechoslovak independence in 1918 the Czechs dominated political life, and then after 1945, communist dictatorship stifled democratic growth.

Mr Meciar has dominated the country since the Velvet Revolution in 1989 and he led it to independence in 1993. Mr Meciar, a former boxer and lawyer, has won every election by appealing to the nationalist and populist instincts of older, less educated rural voters.

He has also fought a running battle with the centre-right opposition, President Kovach and the constitutional court over the rules of the political game and their right to constrain his government's actions.

The poisonous political atmosphere and Mr Meciar's intolerance of opposition has

led to Slovakia being singled out among European Union and Nato potential entrants last summer for failing to meet the political criteria for membership. A western ambassador says: "I have not seen anything since that shows the government is doing anything to put Slovakia on a democratic course."

Last month the government amended the electoral law by restricting political television and radio coverage during the month before the elections to the state-run networks and, in effect, banning candidates such as the five-party Social Democratic Coalition (SDK).

The opposition SDK, like the three-party Hungarian coalition, has responded by making itself a single party for the election campaign, increasing its unity and the authority of its new leader, Mikulas Dancinda.

Mr Meciar has used the limited presidential powers that devolved to him to fire two-thirds of the country's ambassadors and amnesty political supporters. The British presidency of the EU

commented: "These actions do not make a positive contribution to Slovakia's efforts to prepare for EU membership."

The opposition charges Mr Meciar has deliberately frustrated attempts to fill the presidential vacancy in order to create a crisis.

But the opposition SDK has also spurned negotiations to agree a compromise candidate because it believes it will be in a better position to win its own nominee after the election. It has played a full part in raising the temperature through political attacks, petitions and demonstrations, and futile parliamentary gestures.

Into the gulf between the two political extremes has stepped a regional politician returning to the national stage - Rudolf Schuster, mayor of Kosice, the second city. The former communist apparatchik is the most trusted politician in the country and in February launched the third biggest political force, the Party of Civic Understanding (SOP).

Mr Schuster has gathered under him a group of prominent political personalities, mainly on the centre-left, and, with the fairly overt backing of the popular Markiza independent television station, has won the support of around 13 per cent of voters in opinion polls. His grouping could hold the balance of power in the next parliament.

The SOP has taken votes from all the parties but more than half its support comes from formerly non-voting or undecided electors sick of political bickering. Mr Schuster, who is more of a likely future presidential candidate than a potential minister, says: "The opposition only criticised everything. They still fight in the old style."

He has called for compromise and spoken out against a witch hunt of Mr Meciar's big business supporters who have profited from cheap privatisations. However, compromise does not extend to forming a coalition with Mr Meciar, who leads the Movement for a Democratic Slovakia (HZDS). "I would not



Schuster: trusted politician

work with the current leadership of the HZDS," says Mr Schuster.

Therefore, even though the HZDS has overtaken the SDK in recent polls, the combined opposition still commands around 55 per cent support against little more than 20 per cent for Mr Meciar's government.

Though Mr Meciar's ability to bounce back once again should not be underestimated, Slovakia finally seems poised to move into a new stage of political development. The danger is that it could be a very painful transition until the question of the presidency is resolved.

Company statute faces EU delay

By Michael Smith in Luxembourg

A European company statute aimed at increasing business efficiency faces more years of delay after European Union social affairs ministers withheld support yesterday for accompanying measures on worker representation.

The ministers' failure to agree will disappoint companies which have waited 28 years for approval of the statute, aimed at enabling businesses to operate more effectively across borders.

It is also a setback for the UK, holder of the rotating EU presidency, which had made significant concessions in negotiations in pursuit of a deal it hoped to present as a diplomatic coup to the business community.

Ian McCartney, a UK trade minister, said he hoped the progress made would let a deal be agreed shortly. European Commission officials saw hope of agreement under Austria's EU presidency, starting next month. But diplomats believe agreement may never be possible because countries differ over worker representation.

Separately, the ministers adopted proposals to safeguard pension rights of Europeans working outside their country of origin.

The regulation means that "supplementary" pension schemes operated by employers to top up state systems will have to give workers going abroad the same acquired rights as employees changing their jobs and employer in the same member state.

It also allows workers temporarily posted by their employer to another country to remain affiliated to the pension scheme.

Ministers also backed amendments to the so-called "acquired rights directive", which protects the terms and conditions of employees of enterprises when ownership changes hands.

Ukraine faces test over IMF loans

By Tiffany Carlson in Kiev

The Ukrainian government will face an important test later this month when an International Monetary Fund delegation arrives to assess whether the country's finances are sufficiently robust to make it eligible for future loans.

Viktor Yushchenko, Ukraine's National Bank chief, said this week that all IMF criteria concerning the country's budget deficit, currency position, and the bank's foreign reserves were met last month, giving Ukraine hope of obtaining a long-awaited \$2.5bn loan.

The IMF has in the past delayed approval for funding because of Ukraine's slow progress on economic reform. A delegation from the fund is scheduled to return to Ukraine in mid-June, followed by its managing director, Michel Camdessus, on June 20.

Although, the government decided last week to cut the 1998 budget deficit to 2.3 per cent, from 3.3 per cent, it has yet to win the parliamentary approval for the measure.

Some analysts think the deficit cut is essential if the IMF is to be persuaded to provide funding. "One of the principal conditions was getting the budget deficit down, but parliament has to pass that and they haven't," said Paul Gregory, head of research at Alpha Capital in Kiev. "I don't think you can say they filled all the conditions 100 per cent."

"Maybe they'll get some money for May, but this doesn't solve the problems Ukraine is facing," said Stanislav Koufal, Atlantic East's chief trader in Kiev. "The equity market is totally dead. And there's no clear idea on what the political situation will be because a speaker hasn't been elected."

But Patricia Bartholomew, an economist at Woodcutter in Kiev, said Ukraine was on target to satisfy the IMF's conditions.

Key role confirmed for Issing

By Andrew Fisher in Frankfurt

The European Central Bank yesterday confirmed that Otmar Issing, a former Bundesbank director, would head its economics and research activities, underlining its commitment to a firm anti-inflationary stance.

Mr Issing, a member of the ECB's six-man executive board, had been expected to

take on this role as he had been responsible for these areas while a director of the Bundesbank.

Mr Issing, the only board member to be appointed for a full and unambiguous eight-year term, is expected to exert a strong influence on policy deliberations.

The ECB said Sirka Hamalainen, who was governor of the Bank of Finland,

would be responsible for operations and for controlling and organisation. She also has a reputation as a tough central banker, committed to price stability.

Tommaso Padoa-Schioppa, a prominent Italian economist formerly with the Bank of Italy and the European Commission, will look after international and European

relations, as well as payment systems.

Christian Noyer, former French treasury director, will handle administration and personnel and legal services.

Eugenio Domingo Solana, a former board member of the Bank of Spain, will be responsible for statistics, banknotes and information systems.



Kosovo children being transported by military trucks in northern Albania. Albania's foreign minister, Paskal Milo, said yesterday the Serbian province of Kosovo was on the brink of "open war" and urged the international community to get tough with Yugoslavia's president, Slobodan Milosevic. "The situation [in Kosovo] is on the edge of open war," Mr Milo said in the Ukrainian resort of Yalta, where he was attending a regional summit.

Wave of interest likely in Irish telecoms

By John Murray Brown in Dublin

Ireland's decision last month to open its telecommunications market to full competition from December, a year earlier than planned, could tempt a wave of new international companies, according to British Telecom's Irish operation, which yesterday

unveiled details of a 1930m (£113m) joint venture.

George McGrath, chief executive of BT's 50:50 joint venture with Electricity Supply Board (ESB), the Irish Republic's state owned power utility, said it was

revising its own plans in the light of the surprise announcement that restrictions on public switched

voice services would be lifted by the end of the year. Ireland made its decision after complaints about pricing policies by Karel Van Miert, the EU competition commissioner.

Telecom Eireann (TE), the state majority-owned operator, accounts for 90 per cent of the Irish telecommunications market. Eas Telecom,

a privately owned company listed on Nasdaq in the US, has a fixed line business and also competes with TE in the mobile market.

The change will mean BT will be free to serve residential customers using its planned fibre optic network, making use of ESB's microwave system to replace lines now leased from TE.

WORLD TRADE

Singapore is still most competitive

By Simon Nuper in London

Singapore and Hong Kong have held on to first and second place in this year's Global Competitiveness Report, despite the Asian economic crisis.

The annual report, published today by the Geneva-based World Economic Forum, assesses 53 countries on their potential for economic growth and their current income levels. The rankings are based on economic, technological and infrastructure data and on surveys of executives worldwide.

Those suffering the sharpest falls in the table are Indonesia, down 16 places to 31st, and Malaysia, down eight to 17th, both victims of the Asian crisis. Indonesia now ranks near the bottom of the table for quality of management and its legal system. The report ranks Japan 12th in competitiveness, with executives calling its hidden trade barriers the largest of any advanced economy.

However, Jeffrey Sachs, the Harvard University economics professor, writes in the report that the Asian crisis was due more to "an acute financial panic" than to weaknesses in the region's economies. He says these countries suffered chiefly from the flight of international capital, with a net outflow of \$12bn last year compared with a net inflow of \$63bn in 1996. The report says six Asian countries will have the highest medium-term economic growth in the world.

Mr Sachs and Andrew Warner, another Harvard economist, say that although Singapore and Hong Kong may suffer short-term damage from the Asian crisis, they have no notable "underlying weaknesses". Singapore excels in efficient government, labour markets and infrastructure.

Country	Rank
Singapore	1
Hong Kong	2
Japan	12
Germany	13
France	14
UK	15
Italy	16
Spain	17
Sweden	18
Belgium	19
Switzerland	20
Denmark	21
Netherlands	22
Australia	23
Canada	24
USA	25
South Korea	26
China	27
India	28
Brazil	29
Argentina	30
Indonesia	31
Malaysia	32
Thailand	33
Philippines	34
Vietnam	35
Myanmar	36
Laos	37
Cambodia	38
Timor	39
East Timor	40
Sierra Leone	41
Liberia	42
Ivory Coast	43
Ghana	44
Senegal	45
Niger	46
Chad	47
Cameroon	48
Cote d'Ivoire	49
Guinea	50
Sierra Leone	51
Liberia	52
Ivory Coast	53

Hong Kong is praised for its tax rates, infrastructure and labour regulations. The US, third in the table, ranks best in quality of management and technology.

The report will cheer the UK, which jumped three places to 15th, having finished 18th in 1996. The country has the highest forecast medium-term growth rate in Europe, and ranks first in the global table for finance, scoring well on the presence of foreign banks and the frequency of hostile takeovers. However, it ranks 50th in the category of "engineering as a profession".

The Netherlands and Ireland also rise sharply, each jumping five places to seventh and eleventh respectively. The report praises them and the UK for adopting lower taxes, cheaper social welfare systems and more flexible labour markets than the rest of Europe.

France, Germany and Italy again had mediocre performances, ranking 22nd, 24th and 41st respectively. Ukraine replaces Russia in bottom place. Both countries, as well as Colombia and Venezuela, consistently perform worst in such categories as crime, corruption, violence and tax evasion. The Global Competitiveness Report 1998. World Economic Forum, 53 chemin des Hauts-Crêts, 1223 Cologny/Geneva, Switzerland.

US Congress considering wide range of sanctions

By Nancy Dunne in Washington

The US Congress is considering 16 sanctions measures which specifically target 10 countries, including Russia, China, Mexico and Nigeria, according to a preliminary report issued yesterday by the National Association of Manufacturers (NAM).

This list does not include 11 other proposals, so-called generic sanctions, which could target almost any country that engages in specified activities. For example, one measure would impose sanctions on any country which does not combat corruption or shows itself to be "hostile to US business". Nor does the list

include 14 sanctions measures under consideration at state and local levels which would target countries doing business with several countries, including Burma, China, Morocco, Saudi Arabia, and Switzerland.

In its report, the NAM - a group which represents most of the country's manufacturers - urges no repetition of the last Congress's performance, when 33 sanctions measures were signed into law. Two of these - the Helms-Burton Cuban sanctions and the Iran-Libya sanctions measures - have created friction between the US and some of its closest trading partners, which US officials have gone to great lengths to defuse.

The Iran-Libya law has become "a perpetual irritant in US relations, undermining the building of multilateral coalitions which proved necessary in recent times against Iraq and will be necessary in the context of non-proliferation in South Asia and beyond," the report says.

The White House opposes virtually all these proposals and can fend off many with veto threats. But some are attached to important legislation or may be fastened to appropriations bills during House-Senate negotiations, making vetoes difficult.

One measure which will be closely watched by the business community prohibits financing from US export

credit and insurance agencies in any country that does not cast its United Nations vote with the US at least 50 per cent of the time. Another would place export controls on and bar financing for countries engaged in religious persecution. Penalties under the bill, which has already passed the House, could fall on 70-80 countries.

"For the most part the sanctions do not hurt the oppressors but American exporters and their workers, who would be prevented from participating in infrastructure projects in developing countries, thereby handing over billions in contracts to our French, German and Japanese competitors," the report says.

Company internet use to surge

By Paul Taylor in London

Use of the Internet and internet technologies by European businesses is set to surge over the next few years as companies adopt internet protocol (IP) services and applications for electronic commerce and other business activities, says a report published by Schema, the London-based IT consultancy.

"The dramatic growth of the Internet represents the fastest ever take-up of new technology," said Robin Duke-Woolley, the report's author.

Some 2.6m companies - or roughly a third of the total in Europe - are using IP services on the Internet, in their corporate intranets or in extended extranets, according to the report. This usage is spread over 4.1m business sites or about a quarter of the total, but within five years this usage will have more than doubled with 10.6m corporate sites using internet technologies for a wide range of business applications.

The main corporate use of IP services is for messaging, web surfing and information retrieval, but within three years 46 per cent of companies will be using IP services for e-commerce, says the report which is based on a pan-European survey of more than 500 companies.

WTO backs EU on computer tariffs

A World Trade Organisation appeals body has backed the European Union in a complaint filed by the US over tariffs on computer networking equipment. Reuters reports from Brussels.

An EU official said the WTO appeals body had overturned an earlier ruling by a dispute settlement panel, which supported the US against the EU, Ireland and Britain over tariff increases on local area network equipment.

The US lodged a complaint with the WTO after British, Irish and EU customs authorities re-classified the computer networking equipment as telecommunications equipment, a move which it said doubled the tariffs on imports.

Washington said the higher tariffs affected billions of dollars worth of US exports. The WTO disputes panel ruled in February that the tariffs violated WTO obligations. The EU then appealed against the ruling.

At the same time Schema predicts that residential internet subscriptions will grow from 6.3m to 32m by 2003, with the fastest percentage growth coming in Spain, Italy and France. In part this reflects the rapid development of local language web sites. "By the turn of the century growth rates in Europe will be faster than those in the US," says Mr Duke-Woolley.

"Communications in the Internet Era: The Market for IP-based Services in Europe". Available from Schema, +44 (0)171 497 0708

CINEMA MARKET BIG RISE IN ADMISSIONS

Bright future for European box offices

By Alice Rawsthorn

The European cinema market is poised for robust growth over the next few years, with annual admissions set to top 1bn in 2000, according to a study from Dodona, the research consultancy.

Dodona expects the number of cinema tickets sold to rise by 30 per cent over the next five years, with the total increasing from 829m tickets in 1997 to 1.02bn in 2000, and 1.09bn in 2002.

The chief catalyst for rising admissions, which have already added \$1bn to European box office receipts since 1992, is the opening of multiscreen cinemas across the continent. The number of screens has already risen from 22,706 in 1992 to 25,039 last year, and Dodona expects it to reach 28,000 in 2002.

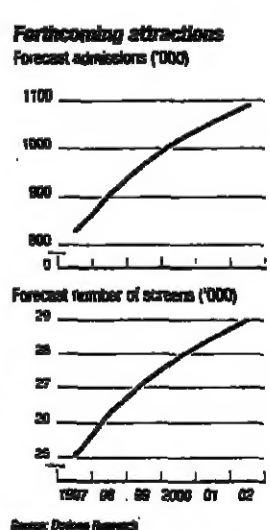
This revival follows a long period of decline since the heyday of European cinema in the 1950s. Thousands of old-fashioned "fleapits" closed during the 1960s, 1970s and 1980s, and the number of films produced in Europe fell sharply.

Germany and the UK were the first markets to rally, when North American and European cinema operators began building new multiplex theatres.

Construction is continuing in those countries, and is now gathering pace elsewhere in Europe.

The number of cinema screens in the UK rose 27 per cent between 1992 and last year - from 1,842 to 2,349 - according to Dodona, and admissions were up 44 per cent - from 97m to 138.5m - over the same period.

By 2002 another 801 screens should have opened in the UK, bringing the total to 3,150, and cinema attendance is expected to be 33 per cent higher at 185m.



A similar pattern will be seen in Germany, where admissions are set to rise by 29 per cent to 165m tickets by 2002. A 17 per cent increase in the number of screens, to 5,000 screens, is also expected.

Poland, Spain, Greece and Portugal should also be high growth markets. Dodona predicts that the number of screens in each of the four countries will increase by more than 20 per cent by 2002, and forecasts growth in admissions in excess of 40 per cent.

The market's growth has encouraged cinema operators to expand across the continent, but half the 20 largest chains only operate in one country.

United Cinemas International, owned by Viacom and Seagram, the North American entertainment group, is Europe's biggest chain with 497 screens, followed by Germany's UFA with 420 and France's Pathé with 419.

Cinemagoing Europe is published for 1995 by Dodona Research, P.O. Box 450, Leicester LE2 1GU. Tel: 0116 285 4550.

THE AMERICAS

NAZI GOLD REGULATORS GRANT NEW UBS LICENCE DESPITE LAWSUITS AFTER HUGE LOBBYING EFFORT BY SWITZERLAND'S GOVERNMENT

New York approves Swiss bank merger

By John Authers in New York, William Hall in Zurich and Richard Wolfe in Washington

New York banking regulators yesterday voted to give a licence to the merged bank which will replace UBS and Swiss Bank Corporation, overturning their opposition to the merger which had been based on the banks' slow progress in compensating Holocaust victims and their heirs.

The announcement, made after a meeting of the New York State Banking Board yesterday, is a vital breakthrough for the banks, who needed approval this week if their merger was to be completed on schedule. They had started contingency plans to

base their US operations outside New York.

The final decision only came after a huge lobbying effort by the Swiss government. Flavio Cotti, Switzerland's president and current foreign minister, had written to Madeleine Albright, US secretary of state, Kaspar Villiger, Switzerland's foreign minister, had written to US treasury secretary Robert Rubin, and Hans Meyer, head of the Swiss National Bank, had contacted Alan Greenspan, head of the US Federal Reserve.

The news also showed that the banks had strongly improved their relations with US regulators, who had been under political pressure to block the deal.

Elizabeth McCaul, New York's acting superintendent of banks, said there had been an "unprecedented" movement in the attitude of the banks' managers.

She had already imposed court orders on both banks criticising them for obstructing her attempts to investigate dormant accounts.

Swiss Bank Corporation said it was "delighted by the very positive decision". UBS indicated yesterday that it was confident that the merger could now be completed before the end of the month. It still needs approval from the Federal Reserve.

The new UBS will be Europe's biggest bank and one of the world's top half

dozen banks with a market capitalisation of \$70bn, assets of \$1,500bn and a staff of 55,000.

The merger was announced on December 8 and although it was cleared by the European competition authorities at an early stage it became caught up in the negotiations over the multi-billion dollar class actions from US Holocaust survivors.

Swiss bankers indicated yesterday that while they were still working towards a settlement, the merger approval had not been subject to a secret agreement on the size of any financial settlement. Many Swiss politicians believe that the country's flagship bank was being effectively "black-

mailed" by the delay in merger approval.

This has led to a sharp drop in support for the proposed SFR7bn Solidarity Foundation which is designed to be an international gesture of thankfulness by the Swiss for being spared the devastation of World War II.

The banking regulators made their decision despite continued attacks on Switzerland by New York congressmen. Rick Lazio, a Republican congressman yesterday called for a reopening of the 1946 Washington accord on repaying looted gold, "to hold the Swiss accountable for the deception given five decades ago".

Deutsche Bank yesterday rejected allegations in a US class action lawsuit that it had knowingly received gold and other assets looted by the Nazis. Andrew Fisher reports from Frankfurt.

The bank said although it had not yet studied the complaint in detail, "a first reading did not reveal any new facts regarding Deutsche Bank's involvement".

The bank quoted Jonathan Steinberg, a historian, as recently stating that neither Deutsche nor other German commercial banks could have known where the gold came from. Mr Steinberg is one of a team of historians investigating Deutsche Bank's activities under the Nazi regime.

Dispute grows over uranium entity sell-off

US Enrichment Corporation begins to evaluate bids in the largest transfer of government property for decade

By Tony Walker in New York

US Enrichment Corporation, the world's largest uranium enrichment company, this week began evaluating bids for itself amid growing controversy over a privatisation worth an expected \$1.6bn.

Sale of the government-owned entity, which would be the largest transfer of government property since disposal a decade ago of the Conrail railroad, is entangled in a complex post-cold war relationship between Washington and Moscow.

Joseph Stiglitz, chief economist for the World Bank and a former chairman of President Bill Clinton's Council of Economic Advisers, called USEC's sale "bad national security", "bad economic policy", and potentially a "bad investment" for the purchaser.

But USEC said criticism was misinformed. "All points have been exhaustively studied," said Charles Yulish, USEC's vice-president for corporate communications. "Both the administration and Congress have made the determination that the privatisation is consistent with national security and the government's economic goals."

Morgan Stanley is acting as transaction manager for USEC's sale under a "dual-path" process which envisages either a merger and acquisition or an initial public offering of common stock. The sale must meet criteria of the Energy Policy Act of 1992 and the USEC Privatisation Act of 1996. A decision by USEC directors is expected by the end of June and must be approved by the US Treasury Secretary.

Bidders include Lockheed Martin of Bethesda, Maryland and the San Diego-based General Atomics.

Critics say the "commercialisation" of USEC could jeopardise the company's commitment to continue its

purchases of 500 tons of processed uranium from Russia's de-commissioned nuclear warheads under an \$8bn "sword" into ploughshares" agreement in 1993 struck by Moscow and Washington after the collapse of the former Soviet Union.

Opponents say a "privatised" USEC would not feel under the same obligation to undertake such responsibilities based on "national security", but would be guided by commercial imperatives. They note it is cheaper for USEC to enrich locally-produced uranium than to buy from Russia, which blends down its weapons grade uranium for shipment to the US, under the 30-year 1993 agreement.

However, Mr Yulish accused critics of peddling misinformation, including assertions that USEC was purchasing highly enriched uranium (HEU) from Russia needed to make nuclear weapons. He said USEC's agreement was to import low-grade uranium for reprocessing for use in commercial reactors, and that USEC did not have the capacity to produce weapons grade material.

Mr Yulish said deliveries of Russian-processed uranium were "ahead of schedule". The administration last week authorised the establishment of an "enrichment oversight committee" to ensure a privatised USEC continued to act in the national interest. It hopes the EOC will reassure critics, including unions.

Mr Stiglitz said privatisation of USEC could be justified on economic grounds if it improved the corporation's efficiency by creating better incentives, but he doubted that efficiency gains justified the sale. Mr Yulish said: "How come Mr Stiglitz is so unwilling to trust the market to produce efficiencies... Do people buy inefficient organisations?"

NEWS DIGEST

SOCIAL SECURITY

Brazilian cost-cutting reforms clear hurdle

A cost-cutting reform of Brazil's overburdened social security system cleared a big hurdle when it was approved for the second and last time by the lower house of Congress.

The bill, passed late on Wednesday, is central to budgetary measures designed to tackle a public sector deficit of about 6.5 per cent of gross domestic product. Analysts expect it to save about R\$3bn (US\$2.6bn) next year, or about 0.4 per cent of GDP, rising to about R\$6bn in three years.

Government supporters also defeated one of seven opposition amendments which threatened to remove much of the bill's impact.

Uncertainty over the reform has dented investor confidence in Brazil in recent weeks and added to jitters on the volatile São Paulo Stock Exchange (Bovespa). Together with opinion polls showing a slump in support for Fernando Henrique Cardoso, hoping for re-election as Brazil's president in October, and concern that turmoil in Russia could spread to other emerging markets, worries over the reform have contributed to daily swings of as much as 8 per cent in the Bovespa index.

The government's success gave a boost to trading yesterday, with the index rising 2.14 per cent by mid session.

However, confidence would be undermined by delays on the remaining amendments, which include proposals to remove a clause ending the current parity between civil service pensions and salaries. Jonathan Wheatley, São Paulo

CANADIAN DEFENCE INDUSTRIES

Groups fail to repay C\$2bn

Many of Canada's big aerospace and technology companies have failed to repay more than C\$2bn (US\$1.4bn) in loans from the federal government, according to documents made public yesterday. The documents, obtained by the Canadian Taxpayers Federation, detail a pattern of non-compliance by some companies which received repayable government contributions over 15 years under a disbanded programme to support defence-related industries.

The largest recipients of the C\$2.3bn in conditionally repayable loans were Pratt & Whitney Canada, the engine manufacturer, and aircraft manufacturers Bombardier and De Havilland, acquired by Bombardier in 1992.

Only 4 per cent of all repayable loans have been repaid to date, the documents show. Government auditors who evaluated the scheme found that many large recipients had not made repayments.

In one case, a company had received C\$91.9m but paid back only C\$1.3m; another company had received C\$118m for 83 projects but repaid only C\$82,000.

The documents will cast a harsher light on Canadian aerospace subsidy programmes, which have come under increasing scrutiny in a trade dispute between Bombardier and Embraer, the Brazilian aircraft manufacturer. Embraer charges that Bombardier has received more than C\$3bn in direct and indirect development and production subsidies in recent years. Edward Alden, Toronto

BUSINESS EFFICIENCY

US productivity rises 1.1%

Productivity outside the farm sector in the US accelerated to a 1.1 per cent annual rate of increase between January and March, from its preliminary estimate of 0.2 per cent and after a 1.4 per cent gain in the fourth quarter, the Labour Department said. That figure, which gauges business efficiency by measuring workers' hourly output of goods and services, was the slowest since a matching 1.1 per cent rise in the first quarter of 1997. Gains in productivity allow businesses to boost production at no additional cost, or maintain steady output at lower costs, making it possible to raise salaries or profits without raising prices.

Non-farm unit labour costs, which figure heavily in the prices of goods and services, rose 3.1 per cent in the first quarter from a previously reported 3.8 per cent gain. Reuters, Washington

MIDWEST EMPLOYMENT

Shortage hits jobs growth

The shortage of workers in the Midwest is affecting the region's jobs growth, the Federal Reserve Bank of Chicago warned yesterday, with little sign that strenuous efforts to attract inward migration were having a material effect.

"Midwest jobs growth has faltered," Michael Moskowitz, president of the local Fed, one of the dozen regional federal reserve banks in the US, told a conference in Michigan yesterday. Examining the reasons, the bank had concluded that demand for workers remained strong but the available supplies were becoming limited. "In short, we found there's a gap between the number of workers the region's employers want to hire and the number they will, in all probability, be able to hire," Mr Moskowitz said. Nikki Taft, Lansing, Michigan

VENEZUELAN DEBT

Caracas to raise \$1.5bn

Venezuela is seeking to raise up to \$1.5bn on international capital markets this year as part of a \$2.3bn finance plan to meet its 1998 public debt obligations. It is also studying options to attenuate its medium-term foreign debt service profile, according to government officials.

Venezuela faces service payments this year of \$4.17bn on foreign debt and \$1.76bn on domestic debt. It also has past-due obligations worth \$761m to public institutions, including the central bank and on dollar-denominated domestic notes. Raymond Collitt, Caracas

Records set for new artists at Christie's

Christie's held its most successful sale ever of contemporary art in New York on Wednesday night, bringing in \$16.7m with all 56 lots finding buyers and 13 new artist records being set. Anthony Thorneycroft writes.

The auction was a vindication of Christie's policy of making contemporary art more "contemporary" and excluding works created more than 30 years ago. The top price, and a record, was the \$2.5m paid for a seascape by Gerhard Richter, the German artist.

It came from the collection of Josef and Barbara Herbig who bought art, mainly contemporary German art, after selling the family paint business. The 30 works sold by the Herbig brought in \$11.4m.

Another Herbig work, Sigmar Polke's "Loesungen I-IV", four enameled canvases listing incorrect sums, set another record of \$882,500. A composition by the Japanese



Photographer Cindy Sherman's film-still self-portrait (top) made less than her Grimm Fairy tale figure (bottom left); while Sigmar Polke's enameled figure canvases made a record \$882,500

artist On Kawara, which mainly consists of dated boxes holding clippings from that day's copy of "The New York Times", made \$574,500. Demand was frenzied with some lots attracting up to 14 bidders. Among the other

artists to set records were Dieter Roth, Carl Andre, Richard Tuttle, Billy Palermo, and Cindy Sherman, whose photographed self-portrait (above) sold for \$86,000. The auction houses have

succeeded in raising the status and price levels of contemporary art, which unlike Old Masters and the impressionists has the great attraction of being in continuous, indeed growing, supply.

WEB SITE OPERATORS FEDERAL TRADE COMMISSION REVERSES STANCE ON REGULATION

Appeal for internet law to limit child data

By Louise Kahan in San Francisco

The US Federal Trade Commission yesterday proposed legislation to limit the ability of web site operators to gather personal information from children using the internet. Such laws would be the first in the US specifically aimed at regulating the internet.

The FTC proposal, presented in a report to Congress on online privacy, signals a significant reversal. Previously the commission, in its role as a consumer protection agency, had backed

industry demands for "self regulation" of the internet.

High-tech industry groups fear that government regulation could stymie efforts to expand electronic commerce. Web sites gather user information - either through registration forms or automatically through technology that monitors web site activity - to target potential customers and to boost web site advertising.

However, Robert Pitofsky, FTC chairman, said electronic commerce was "unlikely to reach its full potential until consumers are confident that adequate

protections are in place to protect their personal information".

In a report highly critical of the internet industry, the FTC concluded that consumers have "little privacy protection on the internet. Industry's efforts to encourage voluntary adoption of the most basic fair information practices have fallen short of what is needed to protect consumers."

Based on a survey of more than 1,400 web sites, the commission found that only 14 per cent provided users with any notice of their information collection prac-

tices, including the types of data gathered and what the data were used for.

Only 3 per cent of web sites surveyed laid out a comprehensive privacy policy.

Most troublesome, the FTC report concluded, were the practices of web sites aimed at children. The majority, 89 per cent of more than 200 children's web sites surveyed, collect personal information such as names and addresses from children. Fewer than 10 per cent provided some form of parental control over this data gathering.

The commission proposed legislation forcing web sites to seek parental consent before gathering information from children aged 12 and under if that information could be used to contact the child via telephone or mail.

Web sites would have to inform parents if they collected information from older children.

Protecting children's privacy was the first and most urgent step, the commission said. However, further recommendations for measures to protect all internet users would be made this summer.

"Protecting the privacy of all online consumers continues to be a high priority for the commission," said Mr Pitofsky.

In a last ditch effort to avoid government regulation, a dozen industry trade groups, representing more than 11,000 US information technology companies, preempted the FTC report on Wednesday with revised proposals for a self-regulatory plan contained in a letter to President Bill Clinton.

However, the industry maintained that a "flexible" approach to privacy protection was needed.

Reports of death of Lewinsky scandal likely to be premature

Television crews camped outside a Washington courthouse show that the dispute is far from over, writes Mark Suzman

When the forest of satellite dishes sprouted overnight around Washington's federal courthouse in January, it caused mayhem. Pedestrians milled around in their hundreds, blocking cars and obstructing the gaggle of journalists giving round-the-clock reports.

All were trying to identify the parade of witnesses arriving to testify about Washington's biggest political scandal in decades: the alleged affair between Monica Lewinsky, a White House intern, and President Bill Clinton that was already prompting talk of impeachment and resignation.

Five months on, the stream of witnesses has dwindled to a trickle. Nobody gives more than a curious glance at the broadcast trucks still parked patiently outside the building.

The White House has proclaimed that everything is business as usual, and, like most of the rest of the world, the passers-by seem to agree.

Even if the president did have an affair, the thinking goes, so what? Polls show the public does not care, Mr Clinton's personal approval

ratings remain high, the economy continues to boom, and the country is running smoothly.

But the very fact that the television crews and cameras are still camped outside the court, despite the public's apparent lack of interest, is telling. Like the inevitable volley of Lewinsky-related questions that dominate every presidential press conference, they stand as an inescapable reminder of the US media's conviction that the scandal is not dead but merely dormant.

With Kenneth Starr, the special prosecutor, having won a series of recent court victories and under pressure from Republicans to produce a final report well before the November congressional elections, it may soon become clear whether they are right.

Part of the reason for the general sense of disengagement is that there has been so little new information available about the allegations.

For months, news has been reduced to a string of self-serving leaks from both sides, fuelling the conviction

that this is a partisan dispute rather than an independent investigation.

Despite early promises of a full and frank discussion of the matter, Mr Clinton has been more than happy to exploit this perception by citing it as a reason for his continued silence on the issue. He now says he is content to have the investigation drag out for the rest of his presidency, if necessary.

But despite the outward impression of calm, the White House has been feeling the strain. "This matter is inextricably intertwined with the daily presidential agenda and thus has a substantial impact on the president's ability to discharge his obligations," Charles Ruff, one of Mr Clinton's lawyers, admitted in confidential court documents unsealed last week.

He said the affair had made both domestic and foreign policy decisions more difficult.

And while Mr Starr's unsympathetic manner means he has comprehensively lost the public relations battle to the media-savvy White House, he has

been winning most of the substantive fights. Most recently he managed to persuade a federal judge to strike down an attempt by Mr Clinton to protect secret service agents and some of his top aides from giving testimony, although this is subject to appeal.

But even if they are making progress, prosecutors remain sharply divided over future strategy.

What Mr Starr would like most is to get Ms Lewinsky to testify against Mr Clinton in exchange for immunity - a prospect made more likely with her decision this week to hire a new legal team with experience in plea bargains.

If such a deal is not forthcoming, Mr Starr may try to indict her on charges of perjury and obstruction of justice for having previously denied the affair under oath. That could allow him to cite Mr Clinton as an unindicted co-conspirator - the strategy used by prosecutors for President Richard Nixon in the Watergate affair - or call him as a witness in a trial.

But the sight of a deeply unpopular prosecutor going after a young woman who is already visibly scarred by the investigation would fuel public perceptions of a partisan witch-hunt and potentially increase sympathy for Mr Clinton. That is something Republicans, anxious to shore up support ahead of November's elections, are keen to avoid.



Press scrum: five months on, media interest remains high

Also, given that Mr Starr's real target is the president, pursuing Ms Lewinsky is a risky strategy. If he fails to get a conviction, the entire investigation will collapse.

At the same time, Republicans are increasingly worried about what to do with Mr Starr's report when it finally arrives. The closer the election it is released, the less likely they are to risk opening impeachment hearings against a popular president - that could backfire at the polls.

But with an outside chance that the Democrats could regain control of the House of Representatives - which oversees such proceedings - the Republicans could lose the opportunity if they try waiting until after the elections.

"We will be blunt," Mr Starr argued in a submission to the Supreme Court this week. "The nation has a compelling interest that the criminal investigation of the president of the United States concludes as quickly as possible - that indictments be brought [and] possible reports for impeachment proceedings issued."

The White House, by contrast, calmly proclaimed that "we are not in the throes of a national emergency", insisting the only national crisis is Mr Starr's behaviour. But only when his protracted investigation finally concludes will it become clear which view is more accurate, and whether the long courtroom vigil by the television cameras has been justified.

Bigger BOCC
payout likely
to create
more

Kazakhs
want to
re-sign
contracts

سكان من العراق

Bigger BCCI payout likely to creditors

By Jim Kelly,
Accountancy Correspondent

Creditors to the collapsed Bank of Credit and Commerce International now look set to get much more than half their losses back from liquidators appointed when BCCI fell victim to the world's biggest fraud in 1991. Liquidators yesterday applied for court approval in Luxembourg, where the bank was registered, for a larger than expected second dividend of 21.5 per cent to about 100,000 creditors. If approved by the court, the dividend will bring to 46 per cent - or nearly 50bn - the return to creditors so far, compared to estimates in 1991 of a return of between zero and 10 per cent of the bank's \$10bn debts.

Georges Baden, one of the bank's three independent liquidators in Luxembourg, said yesterday that a third, and possibly fourth, dividend could eventually bring returns to between 50 and 55 per cent. "No one ever thought of reaching this amount. When we started some people said there would never be any payment at all," said Mr Baden - a normally cautious forecaster of returns to creditors. "I think it is certain there will be at least one more dividend - I can't say if that is interim or final and I can't say when."

It is understood the increase in the second divi-

dend is due in part to BCCI assets released by US regulators to the liquidators under one of the many cross-border agreements which have underpinned the creditors' scheme. Dr Adil Elias, chairman of the Depositors Protection Association, said: "We congratulate the Luxembourg and London liquidators for this great dividend. The creditors' committee has put in a lot of hard work as well."

Only last month, Luxembourg indicated the second dividend would be 18.4 per cent - well above estimates made only a year before of about 10 per cent.

On top of the 50-55 per cent expected, creditors may also get proceeds from court actions against parties such as the bank's former auditors and the fugitive businessmen Ghazi Rashid Pharaon, who faces damages of \$2.1bn over BCCI.

Creditors calculate there are likely to be two more dividends and that it is uneconomical to distribute less than 15 per cent each time because of the huge postal and other costs involved in contacting all 100,000 creditors.

Creditors are talking about eventually seeing a 75 per cent return on their losses although this figure is privately seen as very high both in Luxembourg and London where accountants at Deloitte Touche Tohmatsu also act as liquidators.

Kazakhs want to 're-sign' contracts

By Charles Clover in Almaty

Kazakhstan will "re-sign" contracts with some foreign investors in its oil industry, Nurlan Balgimbayev, prime minister, said yesterday. His announcement coincided with speculation that Kazakhstan will seek to revise or cancel some privatisation contracts that it feels have not been honoured.

Last week, President Nursultan Nazarbayev criticised "mistakes and shortcuts" made during a hasty privatisation process, and warned foreign investors who shirked their contractual commitments that the government would use "all legal methods to correct the situation."

Mr Balgimbayev said the re-signing was necessary after the state-owned shares of many of Kazakhstan's oil and gas enterprises were transferred from the Finance Ministry's State Property Fund to KazakhOil, the national oil company.

A spokesman for Mr Balgimbayev said that re-signing the contracts with KazakhOil was just a formality, and there would be no revision of terms. However, a KazakhOil official said at least one contract, that of US-registered CCL Oil to lease the Pavlodar oil refinery, could be revised.

Eighty-seven per cent of the shares in the Pavlodar refinery were transferred to KazakhOil last month, along with shares in four other oil companies.

In all, KazakhOil owns stakes in several of the country's largest oil companies. It was not immediately clear whether the need to re-sign contracts would apply to all its holdings.

Alexander Lesser, a US lawyer who advises oil companies in Kazakhstan, said: "Contracts are routinely revised in the context of corporate re-organisation. That's how the Kazakhs look at it."

Mr Nazarbayev was upbeat about foreign investors in remarks yesterday at an international investment summit in Almaty, though he did approve of "putting foreign and domestic investors on equal footing."

Earlier this year, Mr Balgimbayev had created a list of enterprises whose privatisations were being reviewed for non-compliance by foreign investors. These included Pavlodar refinery, along with several oil enterprises and metals plants.

"We are still looking into how foreign investors carry out their obligations under the contracts," said Mr Balgimbayev yesterday.

Iran issues Caspian tender

By Roshan Khatami and Robert Cordes in London

Iran yesterday issued a tender for a \$400m pipeline project to carry Caspian oil to Tehran and Tabriz, launching its first concerted effort to establish itself as a transit route for oil from the Caspian Sea region.

At a London seminar, Ali Majidi, deputy oil minister, said construction of the pipeline would require \$280m. The rest would be spent on storage and blending facilities at the Neka port on the Caspian Sea and modifications to refineries in Tehran and Tabriz.

Insisting that Iran was the only economically viable outlet for the export of crude oil from the republics bordering the Caspian, Mr Majidi said the project would be financed through a build-operate-transfer scheme. The investment would be repaid within a maximum of five years after the start up of the project.

In an interview, Mr Majidi said "eight or nine" foreign companies working with Iranian companies had already expressed interest in the project. He expects consortia of oil and construction companies to bid.

A feasibility study by the National Iranian Oil Company showed that, with minor developments in Iran's Neka port on the Caspian Sea, and the construction of a new 32km pipeline to Tehran, Iran could absorb 315,000 b/d of crude oil from the Caspian republics. It would be processed in Iran's northern refineries and an equivalent volume of Iranian crude would be given to Caspian producers at export terminals on the Gulf.

Officials said the "swap" arrangements, which Iran had started entering into with oil companies, was the first phase of a three-stage export scheme, which could include a total of 800,000 b/d of Caspian oil swaps. The Iranians say their phased approach would use the existing pipeline network, and would undercut competing proposals.

According to Mr Majidi, the three swap agreements already achieved - with the UK's Monument Oil and Dublin's Dragon Oil to carry crude oil from Turkmenistan and with Kazakhstan - are sufficient to cover pipeline's costs and the companies' remuneration. However, he admitted that the Kazakhstan arrangement, by far the largest of these deals, needed to be renegotiated. Mobil had asked the US government for permission to enter into similar swap deals.

HORN OF AFRICA ETHIOPIA INDICATES SUPPORT FOR ACCORD BROKERED BY US AND RWANDA BUT ASMARA BALKS AT TROOP PULL-OUT

Eritrea likely to reject border peace plan

By Michele Wroe,
Africa Correspondent

A Washington diplomat trying to broker a settlement of the border dispute at the heart of the Horn of Africa's latest war said yesterday Ethiopia had provisionally accepted a peace plan drawn up by the US and Rwanda.

But Eritrean officials poured cold water on the initiative, saying the proposals were unlikely to win local backing, as they committed Asmara to removing its troops from a border zone the government considers an

undisputable part of Eritrea.

"Withdrawal as a precondition does not make sense," said a high-ranking official. "Why should we withdraw from our own territory?"

Earlier in the day, Susan Rice, assistant secretary of state for African affairs, said Meles Zenawi, Ethiopian prime minister, responded positively to the four-point plan, saying he believed his government would accept the recommendations.

Aimed at creating a breathing-space during which demarcation of the border between the two for-

mer allies could be tackled, the plan calls for the demilitarisation of the area and despatch of an observer mission to Badme, a town in the 180-square-mile triangle of land under dispute.

But its stipulation that Eritrean forces "redeploy" from Badme looks likely to be rejected in Asmara, which has acknowledged engaging with Ethiopia's forces in the area on May 6 but says it was merely reclaiming territory illegally seized by Ethiopia six months earlier.

Ms Rice was expected to travel to Asmara formally to

present the plan, part of a second attempt the US has launched in conjunction with Rwanda, another friend of both nations, to end the month-long quarrel. Washington is agitated at the spectacle of two of its most trusted African allies, whose guerrilla movements together toppled Ethiopia's Marxist dictatorship in 1991, embroiled in an escalating conflict.

The hostilities between the two nations, considered linchpins of the much-vaunted "new leadership" to emerge on the continent in

recent years, has shaken the US belief that it had found a group of enlightened, pro-western countries it could do business with.

Apart from jeopardising Ethiopia and Eritrea's own post-war reconstruction programmes, the dispute risks tearing apart the regional coalition of anti-Sudanese states the US has been relying on to help contain Khartoum's Islamic government.

There was little sign yesterday of a reprieve in the disputed area, where Ethiopian and Eritrean troops on Wednesday bombarded each

other with shells, rockets and mortars from dawn until late into the night. Instead, reinforcements of troops and supplies were spotted heading for the zone.

The conflict has exposed the continuing weakness of the Organisation of African Unity, notwithstanding the "conflict resolution" role the west has recently been urging the Addis Ababa-based institution to embrace.

Salim Ahmed Salim, OAU secretary-general, told the combatants they "owed it to Africa" to resolve the crisis peacefully.

US proposals to revive Mideast talks revealed

By Judy Dempsey in Jerusalem

US proposals aimed at reviving the stalled Israeli-Palestinian peace talks were published for the first time yesterday after Washington kept them secret during months of negotiations.

The proposals, leaked to Ha'aretz, Israel's leading daily, spelt out in detail how Israel would hand over 13 per cent of land to the Palestinians in three phases dur-

ing a 12-week period. Senior Israeli officials confirmed their authenticity.

They also show how Israel would stop expanding settlements. The Palestinians have been seeking a halt to expansion since the peace process broke down in March last year after Israel started building a new Jewish settlement at Har Homa in east Jerusalem. Nationalist members of Benjamin Netanyahu's coalition yes-

terday threatened to bring down the government if settlement expansion was stopped.

In addition, an elaborate American-Israeli-Palestinian committee for monitoring security issues would be revived. This would establish a "third pair of eyes" for assessing how Yasser Arafat, president of the Palestinian Authority, was dealing with terrorism.

Earlier this year, Mr

Netanyahu rejected a trilateral security/monitoring committee, which would have included the US Central Intelligence Agency.

But the focus of the plan is the amount of land Israel would hand back to the Palestinians in the second troop withdrawal from the West Bank. It probably includes the first withdrawal which the Palestinians rejected 15 months ago, saying it was inadequate.

At present, 2.7 per cent of land is under full Palestinian control. This is Area A.

Another 23.1 per cent is in Area B, with civilian affairs run by the Palestinians and Israel controlling security. The rest of the land, known as Area C, is under full Israeli control.

Under the US plan, 12 per cent of Area C would be passed to Area B; 1 per cent of Area C would be passed directly to Area A; and 14.2

per cent of Area B would be handed over to Area A.

This would leave a total of 17.7 per cent of West Bank land under full Palestinian control during final settlement negotiations. A further 23.1 per cent would be under their partial control.

Israeli officials yesterday said the plan was "flawed" because it does not discuss land percentages for the third and final redeployment.



We're climbing to new heights of innovation.

Every day we transform products and substances into thousands of applications worldwide. Now we've transformed ourselves into an exciting new breed of company. Like every natural evolution it has happened with good reason. Ciba Specialty Chemicals has developed to anticipate and

meet customers' changing needs, now and into the next century. We are already generating sales in 117 global markets, but we're looking even further afield. Our new company is flexible, agile and quick to react. We will constantly deliver the brightest solutions to every fresh challenge.

We're investing more and more in research and development so expect to see ever greater heights of innovation wherever you see the sign of the butterfly. For more information on the company that's transforming the specialty chemicals sector, fax +41 61 636 3019 or visit our Website at <http://www.cibasc.com>

Ciba

Value beyond chemistry

ASIA-PACIFIC

Election boost for Kim

By Peter H.

East Ti
Portugu
by Presi
is to re
part of
try's ne
Habibie.
Mr Ha
in one
since
was op
referen
Timor's
to dete

By John Burton in Seoul

An expected victory by the South Korean government of Kim Dae-jung in local elections yesterday is likely to result in the new administration gaining a parliamentary majority soon.

The two government coalition partners won 10 of 16 important provincial governor and mayoral posts in an outcome that nearly duplicated on a regional basis the results of the presidential election in December that Mr Kim won.

The election was considered a national referendum on Mr Kim's painful economic reforms, although the campaign was mainly based on personalities rather than issues.

The election result is expected to cause deputies from the faction-ridden opposition Grand National party, which holds a slim four-seat parliamentary majority, to defect to the government coalition in coming weeks.

After gaining control of the National Assembly, the government has promised it will accelerate economic reforms, including adopting a tougher stance on restructuring of the nation's big conglomerates, or *chaebol*.

Voter turnout in the local polls at 81 per cent was the lowest in nearly four decades as voters selected nine provincial governors, the mayors of the seven biggest cities, 232 heads of local governments and 4,106 local council members.

As expected, candidates of the president's National Congress for New Politics party swept Mr Kim's home base of the south-western Cholla region, while the United Liberal Democrats, the junior government coalition partner, did well in its political base of the central Chungcheong region.

Mr Kim's economic reforms required under IMF-led rescue have resulted in a sharp rise in unemployment, which has provoked militant trade unions to threaten a general strike next week.

SOUTH ASIA VAJPAYEE SAYS READY ONLY FOR BILATERAL TALKS WITH PAKISTAN OVER N-ARMS AND KASHMIR

India spurns attempts to broker talks

By Mark Nicholson in Islamabad

India yesterday spurned attempts to broker peace talks with Pakistan over nuclear arms and its bitter rivalry over Kashmir. Delhi repeated it would consider only bilateral discussions with its neighbour.

Atal Behari Vajpayee, India's prime minister, said: "We are ready for talks - we are ready for bilateral talks." He said India was also ready to discuss Kashmir, cause of two of three wars between the South Asian neighbours in the past 50 years.

Mr Vajpayee's remarks to parliament came as foreign ministers of the five UN permanent members of the UN Security Council gathered in Geneva for emergency talks following India and Pakistan's matching nuclear tests last month.

There is growing concern in Delhi that the US, Britain, China and other world powers regard India and Pakistan's dispute over Kashmir a legitimate subject of international concern now it has become a potential nuclear "flashpoint".

Before last night's meeting, Madeleine Albright, US secretary of state, indicated that she would not press the other four official nuclear powers - Russia, China, Britain and France - to follow the US lead in imposing economic sanctions on Delhi and Islamabad. They believe sanctions would only hurt ordinary people while reinforcing isolationist and nationalist tendencies in both countries.

Mrs Albright urged the two countries to "cool it". She said immediate US goals were to secure an end to testing, an agreement by both not to deploy or test missiles and an end to "provocative military activity".

Earlier this week the five nuclear powers backed a statement by 46 members of the 61-nation UN disarmament conference calling on India and Pakistan to halt testing, renounce their nuclear weapons programmes and join the nuclear non-proliferation treaty.

Washington has however reacted tepidly to French proposals that India and Pakistan should be offered help for civilian nuclear technology and a new status in international forums as an incentive to join the Comprehensive Test Ban Treaty (CTBT) and agree to talks on halting production of fissile material.

Pakistanian diplomats have in recent days been energetically pushing the Geneva summit as an opportunity to place the Kashmir dispute on the world agenda. Islamabad has long argued for UN or other intervention to resolve the dispute.

"Kashmir is not an internal issue, there are already UN resolutions about it," said Gohar Ayub Khan, Pakistan's foreign minister, in an interview. "The Geneva meeting should address not only nuclear issues but the core issue also - the dispute over Kashmir."

Mr Khan said he also welcomed Japan's offer of hosting talks between the two countries.

Testing is one thing; but delivery matters as much

Missile programmes are being watched as closely as nuclear capability, write Alexander Nicoll and Mark Nicholson

Western analysts are gloomily concluding that India and Pakistan have come closer to putting nuclear warheads on missiles by carrying out nuclear tests last month.

Experts on nuclear weapons are habitually cautious in assessing claims about tests, especially since some of the established nuclear powers are known to have exaggerated their capabilities in the early days of nuclear weapons. Evidence to back up statements from New Delhi and Islamabad is scanty.

Progress on the two countries' ballistic missile programmes is being watched just as closely as their nuclear capability.

"The important thing is that both Pakistan and India are developing new missiles," said Ken Bacon, the Pentagon spokesman. "They are testing these missiles. They have both talked of weaponising these missiles by trying to put nuclear weapons on the missiles."

Terry Taylor, assistant director of the International Institute for Strategic Studies, views Pakistan's test of its Ghauri missile in April as possibly putting Islamabad somewhat ahead of India in the weaponisation race.

The Ghauri, with a range of 1,500km, is apparently modelled on North Korea's Rodong 1 missile, itself a derivative of the Russian Scud, though the extent to which Pakistan has obtained foreign help in its development is unknown.

Mr Bacon says of Pakistan: "Our best guess is that it would probably take them a year or two to weaponise their nuclear weapons by putting them on to warheads."

India's indigenously developed intermediate-range Agni missile appears less well proven, Mr Taylor says. A.P.J. Abdul Kalam, scientific adviser to India's defence ministry, said "weaponisation is complete", but declined to specify the number or nature of such weapons.

Brahma Chellaney, a defence analyst at Delhi's Centre for Policy Studies, says India's tests were designed more to "certify" nuclear warheads than to develop them and included one for a warhead capable of being mounted on the Agni.

However, suggestions such as these about the nature of the explosions remain subject to verification.

Seismological evidence could support India's claims about the sizes of its explosions, say Suzanne van Moynland of the Verification Technology Information Centre in London and Roger Clark, a seismologist at Leeds University.

In an article to be published in the Bulletin of the Atomic Scientists, they write that the latest data on India's explosions on May 11 indicate an explosive yield of 30-50 kilotons, consistent with India's claim that it set off a 12kt fission device, a 43kt thermonuclear device and a 0.2kt low-yield device on that day. But if the tests were carried out in hard rock, the estimated yield would drop to 10-20kt. The two tests on May 13 were too small to register on seismographs.

The May 11 data indicate only one event, meaning that if there were indeed two large bangs, they were close together and almost simultaneous. But this too is possible.

"Since the three devices cited by India are all components of a thermonuclear (hydrogen) bomb, the test could have been a single warhead which, since it gave

fusion energy release, must have had a successful low-yield fission detonation as part of it," Ms van Moynland and Mr Clark write.

Pakistan has said little officially about the five tests it claims on May 28 and the single explosion on May 30, though television pictures showed the side of a hill disintegrating on May 30. Early seismographic data show a possible combined yield of 2-20kt on May 28, and less than 10kt on May 30.

What does this information imply about the deployment of nuclear weapons? Both countries have the materials: Pakistan mines and enriches uranium, and

India is believed to be able to make weapons-grade plutonium.

Western analysts have assumed for years that India and Pakistan were capable of constructing nuclear bombs which they could deploy on aircraft. Whether or not India has achieved a true hydrogen bomb - some analysts suspect it may have achieved only "boosted fission" - the evidence suggests both countries have attained considerable sophistication. This means that south Asia, with multiple regional tensions, could eventually have three possessors of nuclear missiles, including China.

India's Ghauri missile test in April

India's Ghauri missile test in April

India's Ghauri missile test in April

India's Ghauri missile test in April

India's Ghauri missile test in April

India's Ghauri missile test in April

India's Ghauri missile test in April

India's Ghauri missile test in April

India's Ghauri missile test in April

India's Ghauri missile test in April

India's Ghauri missile test in April

India's Ghauri missile test in April

India's Ghauri missile test in April

Indonesia debt deal requires stability to work

By Peter Montagnon and Sander Thoenes in Jakarta

The agreement yesterday between Indonesia and its bank creditors over the refinancing of some \$80bn in private sector debt is a remarkable coup for the new administration of President B.J. Habibie.

Coming only two weeks after his chaotic and traumatic assumption of office, his negotiators have pulled off a deal that at last begins to address one of the deepest and seemingly most intractable issues underlying the country's economic collapse.

But whether Mr Habibie will be able to turn the achievement to his political advantage is another matter, as is the question of how smoothly the deal will work in practice. While Indonesian economists generally welcomed the agreement, they were also cautious about how effective it would be in reviving a corporate sector that is tottering under a mountain of debt and a slump in domestic demand.

"It's good news, but for it to work you have to presume that stability will return," said Mari Pangestu of the Centre for Strategic and International Studies.

In theory the deal provides a break for Indonesia in three different ways. First the banks have undertaken to restore vital lines of trade finance. Second, short-term interbank debt is to be refinanced over a period of up to four years. This will relieve Indonesia of the need to repay \$9bn in debt this year, said Ghanjar Kartasasmita, Mr Habibie's chief economic minister and architect of the new government's recovery strategy.

Third, a mechanism has been created in the new Indonesian Debt Restructuring Agency for helping companies rendered unable to service foreign debt by the massive devaluation of the rupiah. The agency will not have to make any principal repayments in dollars for three years. That also brings a short-run boost to Indonesia's foreign exchange cash flow that should help revive

the currency and revive confidence.

It is only when one starts to consider the small print that the difficulties come through. Without strong domestic banks prepared to open letters of credit, it is not clear whether Indonesian companies will be able to benefit from the increase in trade finance. The refinancing of interbank debt must be agreed by all creditor banks which could prove a struggle, though a similar deal worked in the case of South Korea.

The corporate debt scheme also fails to bring the generous foreign exchange guarantee that many companies and some banks had hoped for - the government will only guarantee the best market rate prevailing for a period after it is implemented.

Companies must continue to pay interest and principal in rupiah to the restructuring agency which will then take care of finding the dollars to pay foreign banks. "Not many companies will be able to pay even interest," said William Keeling of Dresdner Kleinwort Benson.

The deal does not cover commonly traded derivatives such as debt swaps.

One risk, bankers say, is that the scheme will prove attractive only to the worst quality companies. Given the corrupt record of Indonesian public entities, companies may then try to persuade the restructuring agency to make dollar payments on their behalf even when they are actually in default. The agency's management will have to be very tough.

But for some companies at least, the scheme will prove unnecessary. J.P. Morgan says it has already negotiated several debt agreements separately with its clients.

In the short run, the impact on financial market confidence may be what matters most. With new loans flowing again from the World Bank and the International Monetary Fund now preparing to resume its programme, there has at last been some good news.

Malaysia gives rescue fund details

By Sheila McNulty in Kuala Lumpur

Malaysia is to provide \$650m (US\$13m) in state money and issue between US\$1bn and US\$2bn in sovereign bonds to launch the Asset Management Company, the crisis fund set up to buy the non-performing loans and assets of the country's troubled financial institutions.

Anwar Ibrahim, Malaysia's deputy prime minister and finance minister, announced yesterday the initial financing plans for what eventually is to be a \$650m rescue fund. He said that J.P. Morgan, the US investment bank, and Arthur Andersen, the accountants, are advising the government on the project.

The institution, which would be similar to the resolution trust fund set up in the US to rescue the savings and loans banks, is to be both publicly and privately controlled and begin buying non-performing loans and assets by the end of July.

Its goal is to revive lending by freeing financial institutions of mounting bad loans, which economists expect to comprise about 25 per cent of all loans by the middle of next year. Financial institutions have all but stopped issuing credit in Malaysia. This contributed to a sharp 1.8 per cent contraction in economic growth in the first quarter compared with the same period last year.

It was the first quarterly decline since the mid-1980s and signalled that, while Malaysia may not need financial assistance from the International Monetary Fund, much has to be done to keep the country's banking crisis from deepening.

Economists were pleased the authorities had at last moved to alleviate the pressure on the banking system. They hope that by seeking international advice on the

project, Malaysia will find a way to ensure the bonds are made attractive to foreign investors to bring much-needed capital into the system.

But they warn that in the months it takes to establish the Asset Management Company, the crisis will deepen. To attract investors, the institution will have to prove it is not merely a bail-out agency.

Confidence in the government has been shattered by months of conflicting policy statements by leaders, the inaction of the National Economic Action Council, which was formed to guide the country through the financial crisis, and the harangue by Mahathir Mohamad, the prime minister, against foreign investors.

Economists said they will be carefully watching the price the Asset Management Company pays for the non-performing loans and assets. Paul Alapat, senior economist at Indosuez WI Carr Securities in Singapore, said the relief to the banking sector should be provided at a penalty to ensure financial institutions are more careful in the future.

Malaysia's financial sector went into the regional crisis last year, burdened by domestic loans at 170 per cent of gross domestic product - the highest in south-east Asia.

Because Dr Mahathir has made clear he wants to save favoured companies, economists said they will be watching to see whether the Asset Management Company fulfils its obligation to buy viable assets and not the dead ones of the well-connected.

Azman Yahya, the investment banker from Amanah Merchant Bankers who is to lead the Asset Management Company, sought to ease investor fears. "We'll look at assets rather than at banks," he said. "We're not a charity for banks."

NEWS DIGEST

COMMEMORATION OF TIANANMEN SQUARE

China allows HK gathering to mark 1989 repression

Tens of thousands of people gathered in Hong Kong yesterday to commemorate the deaths in Beijing in 1989, when Chinese authorities unleashed an army crackdown on pro-democracy demonstrators in Tiananmen Square.

The ceremony was the first annual commemoration of the crackdown since Hong Kong returned to Chinese sovereignty last July. Government officials said the staging of the event, conducted without police interference, demonstrated the territory's commitment to maintaining civil liberties.

Despite fears for political freedoms ahead of last year's handover by the UK, Beijing has maintained a hands-off approach to the territory. While security forces kept a close watch for protests on the mainland, a Foreign Ministry spokesman said the Chinese government was not concerned about the Hong Kong protest.

Organisers put the attendance at 40,000, fewer than the 55,000 who turned up last year. The gathering was held against a backdrop proclaiming: "Reverse the June 4 verdict," a reference to Beijing's condemnation of the 1989 student movement as counter-revolutionary and subversive.

Wang Dan, a leader of the Beijing protests that were suppressed in 1989, addressed the gathering by telephone link from the US, where he was sent after his release from a Chinese prison in April. John Riddings, Hong Kong

JAPANESE ECONOMY

Household spending weaker

Household spending in Japan continued to deteriorate in April, underlining the private sector's weak contribution to the economy.

Spending fell 2.1 per cent in real terms compared with the same month a year earlier - worse than expected. Spending by wage-earners declined 0.5 per cent.

The government's management and co-ordination agency admitted private consumption remained weak partly because incomes were falling. Overtime and bonuses are down sharply.

Weak consumer confidence, which has received a triple battering from last November's financial crisis, record unemployment rates and the increase in sales tax last year, fed through to lower imports of automotive products in May. Imports from Germany fell 8 per cent, compared with a year earlier, to 10,558 units and those from the US fell 39 per cent to 2,964 units. Those from the UK rose 3.8 per cent, thanks to Rover, whose sales jumped 7.2 per cent to 1,597.

Paul Abrahams, Tokyo

LOAN ACCUSATIONS

Japanese executives arrested

Four regional bank executives and three managers of FR, the Japanese trading company specialising in jewellery sales, were arrested in Tokyo this week in connection with a series of uncollateralised loans made since 1991.

Two former presidents of Shinwa Bank, were suspected of making as much as ¥40bn (\$288m) in loans without proper collateral to cosmetic and credit companies in the FR group from 1991 to 1997. The loans financed FR's land purchases. The land was believed to be owned by organised criminal groups.

Shinwa Bank reported ¥17.9bn in pre-tax losses last year, with approximately ¥35bn in bad loans. The bank's shares closed up 1 per cent, or ¥5, at ¥375 yesterday in a rising market. Alexandra Hamsey, Tokyo

Financial Times Seminar Exploring IT For Business Benefit



SEMINAR:
IT AND EMU
JULY 1, 1998

What impact will European and Monetary Union have upon business IT in the UK?

Recent figures released by IT consultancy Gartner Group, estimate the cost of preparing the IT systems of European businesses to deal with European economic and monetary union to be as much as £150bn.

For business with customers, suppliers and subsidiaries in Europe, EMU will have a major impact on your organisation. Although the UK does not plan to join EMU in the first wave it is crucial to consider what actions should be taken now. This seminar will provide a forum for outlining the realities of EMU and its implications on business practice and technology.

Chaired by Paul Taylor, Financial Times IT Correspondent, guest speakers combine perspectives from Government, the financial sector and commercial enterprise.

Speakers include:

Alan Donnelly MEP, the Labour Member of the European Parliament for Tyne & Wear. He has a particular interest in this subject having been Labour spokesman on European Parliament Economic and Monetary Affairs and Industrial Policy (1991-94). Stephen Brannan, a member of the Executive Group of the Royal Bank of Scotland and Group EMU Programme Manager. As head of Service Improvement within the Operations Division, Mr Brannan has responsibility for managing the Group's EMU taskforce.

Commencing with breakfast at 08.00am and running for approximately 2 hours from 09.00am, this seminar will be held at Financial Times, One Southwark Bridge, London SE1 9HL.

Cost: £50.

To reserve your place at this event, please contact:
Sarah Jezzard on either:
Tel: (44) (0)171 873 4816 Fax: (44) (0)171 873 3595
or email: sarah.jezzard@ft.com

in association with

Microsoft
FINANCIAL TIMES
No FT, no comment.

THE HOLLA

JAMES & LISTER

0121 308 1100

LUMBER

01963 351234

AUDIO

VIDEO AND

WHOLESALE

BUSINESS SERVICES

Senior Manager

BUSINESS WANTED

TELECOMMUNICATIONS

WANTED

FAX ATTENTION

THE MANAGING

FAX

WE ARE INTERESTED

FAX

BRITAIN

THE ECONOMY FIRST INCREASE IN SEVEN MONTHS AS TEAM SAYS INFLATIONARY PRESSURES ARE INCREASING

Central bank committee raises rates to 7.5%

By Richard Adams,
Economics Staff

The Bank of England, the UK central bank, yesterday drew protests from the business community by raising interest rates for the first time in seven months.

The Bank said it had become more important to subdue domestic spending over the past month, with inflationary pressure now looking more threatening.

But some economists argued that the rise would make a "hard landing" more likely.

The increase in interest rates - by 0.25 percentage points to 7.5 per cent - came after six months of disagreement in the Monetary Policy Committee, which sets rates in pursuit of the government's 2.5 per cent inflation target.

"Evidence has emerged over the past month that the cumulative tightening of the

labour market has resulted in a rate of private sector earnings growth that jeopardises achievement of the inflation target over the medium run," the Bank said in announcing the increase.

The Treasury said it reinforced the need for workers to show greater responsibility in pay demands. The prime minister's office blamed recent excessive pay increases.

The official spokesman for

Tony Blair, the prime minister, said: "If companies pay themselves more than the rate of inflation, there is going to be a link with inflation."

Analysts speculated that Charles Goodhart, who had joined the "doves" on the committee in opposing a rate rise in April, had rejoined the "hawks". John Vickers, who made his debut on the committee this week, may have provided the hawks

with the other vote they needed to secure a majority.

The Bank's move sparked a fall in the price of government bonds and interest rate futures contracts, as the City was caught off-guard. The FTSE 100 share index ended the day down by 37.6, at 5,860.8.

The Bank said rates had also been raised in part because sterling had been weaker than it expected last month. Business leaders con-

demned the rise, fearing that higher rates would push sterling up again. The Confederation of British Industry said its members were already struggling with "serious competitive problems", while the Institute of Export called the rise "stag-swinging".

"The MPC, composed of economists, bankers and academics, appears to live in a kind of wonderland where facts and reality are not

allowed to intrude," said Ian Campbell, institute director general. "The reality is we are handing business to overseas competitors."

Sterling ended trading half a penny below its closing level against the D-Mark on Wednesday. The pound closed at DM2.897 in London. Immediately after the announcement it climbed to DM2.93.

Continued, Page 27

Cost of adopting competition law is attacked

By David Wighton,
Political Correspondent

Ministers yesterday dismissed claims from the opposition Conservative party that British companies might have to spend more than £1bn (£1.6bn) complying with the proposed reform of competition law to bring it into line with European Union practice.

The government stuck by its estimate that the non-recurring compliance cost of the competition bill would be £4.4m and dubbed the Conservative claims "billion-pound baloney".

But John Redwood, the Conservatives' chief industry spokesman, said his research suggested the estimate was out by a factor of a hundred. He claimed that every big company would face heavy legal bills to provide reassurance that none of their trade agreements would be deemed anti-competitive, rendering them liable to heavy fines.

Based on discussions with a number of big businesses, the Conservatives estimated that each FTSE 100 company would face a bill of between £200,000 and £1m. Including estimates for smaller companies, the Conservatives claimed that the total bill could range from £240m to £1.6bn.

Mr Redwood said the quality of the government's cost compliance assessment was "an insult" which gave a completely misleading impression of the net benefits of introducing the reforms. He also repeated his call for the government to exempt all businesses with turnover of less than £10m. But ministers claimed Mr Redwood was deliberately stoking up fear.

Nigel Griffiths, the competition minister, said Mr Redwood did not understand the bill. Most big companies already operated under the EU law on which the bill was modelled.

ANALYSIS

Markets taken by surprise as hawks win the day

By Robert Chote,
Economics Editor

It is too simplistic to interpret the decision by the monetary policy committee to lift rates as simply a victory for hawks over doves. We may yet find that the hawks on the way up in the economic cycle turn out to be doves on the way down.

In the official statement that followed yesterday's vote, the committee recalled that May's Inflation Report identified "major uncertainties" which meant that the outlook for monetary policy remains finely balanced.

Mervyn King, the Bank's deputy governor responsible for monetary stability, noted at the time that there was no preordained path for rates.

The statement argued: "The central issue for monetary policy remains whether aggregate demand will slow sufficiently quickly to bring down domestically generated inflation before the restraining price effects of the earlier increase in the exchange rate and falls in commodity prices wear off."

This encapsulates the dichotomy that has confronted the monetary policy committee for months.

Falling unemployment, accelerating earnings growth and rising personal sector

wealth are all contributing to robust consumer spending. This in turn is maintaining relatively rapid growth in those parts of the economy - notably the service sector - that are sheltered from international competition. In contrast, the inflation-adjusted exchange rate has only recently fallen from a 17-year high, choking off export orders as it renders UK companies less competitive in world markets.

In the May Inflation Report, the committee argued that sterling's strength would keep inflation near its 2.5 per cent target for two years. But significantly its forecast showed inflation rising at the end of the forecast period.

The Inflation Report forecast was the basis for last month's decision to keep interest rates on hold. But since then two important factors have changed: earnings growth has accelerated and the pound has fallen.

Other things being equal, these factors mean not only that sterling will exert less downward pressure on inflation in the short term but also that domestic demand will exert more upward pressure on inflation in the longer term.

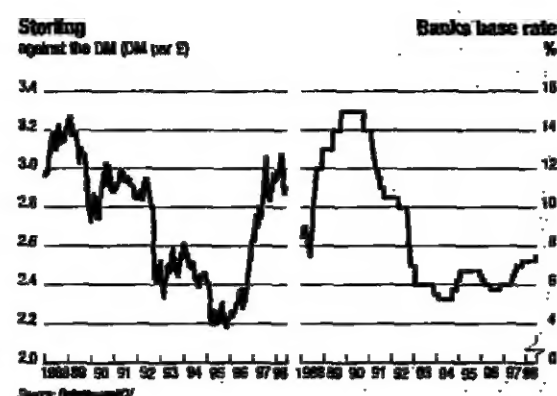
As the May Inflation Report made clear, develop-

ments in the labour market are a key determinant of domestically generated inflation," yesterday's statement argued. "Evidence has emerged over the past month that the cumulative tightening of the labour market has resulted in a rate of private sector earnings growth that jeopardises achievement of the inflation target over the medium run."

The Office for National Statistics reported last month that private sector earnings growth had accelerated to 5.6 per cent in the year to the first quarter. The Bank believes that earnings growth above 4.5 per cent is inconsistent with achieving the inflation target.

Statisticians said the rise in earnings growth was in part the result of unexpectedly large annual bonuses, which in the past have produced temporary spikes in the earnings data.

The committee noted that the pound's trade-weighted index has remained about 3 per cent lower than the Bank had projected in the Inflation Report. The International Monetary Fund believes that a depreciation of this size is equivalent in its impact on output and inflation to a 1 percentage point reduction in rates.



The emphasis on earnings and the exchange rate in yesterday's statement may be an important clue to the way in which opinion has shifted on the committee.

Charles Goodhart, who had voted in vain to raise rates earlier in April. He did so on the grounds that earnings growth was subdued and the exchange rate had risen. The statement suggests that he may have rejoined the hawks, which would have re-established the four-four split seen in February and March. On these occasions Eddie George, the governor, broke the deadlock by using his casting vote in favour of keeping rates on hold.

The hawkish view is typified by Alan Budd, who thinks that too much account has been taken of the high pound at a time when domestic demand is still growing unsustainably. The alternative view is advanced by DeAnne Julius, who believes that her fellow committee members may be

underestimating the improvement brought about in the economy's growth capacity by the supply-side reforms of the 1980s.

The minutes of yesterday's meeting will not be published until July 15. A further question raised by yesterday's decision is how the committee will react if sterling continues to decline. With 25 of the City's 27 leading economists wrongfooted by the rate increase, it was hardly surprising that the pound jumped two pennies. But by the end of trading this had more than reversed and sterling's trade-weighted index finished below Wednesday's close.

If some of the erratic factors that have pushed sterling higher are now unwinding - and the exchange rate is heading towards the DM2.30 that Simon Wren-Lewis of Exeter University believes to be its "equilibrium" rate - then base rates may have to rise again.

Editorial Comment, Page 17
Lex, Page 18

WAGE INCREASES

Bonuses boost earnings rises by 1.5 points

By Richard Adams,
Economics Staff

The Bank of England decided to raise interest rates yesterday despite evidence that earnings increases were being fuelled by "one-off" bonus payments.

The Office for National Statistics submitted detailed analysis of the latest figures to the Bank's monetary policy committee in time for its monthly briefing on the economy last Friday.

It showed that the increase of 5.6 per cent in annual earnings for March - a figure that caused concern among banks and City of London forecasters - was only around 4.2 per cent after stripping out the effect of increased bonuses and profit-related payments.

Derek Bird, head of earnings analysis at the ONS, said: "What we said was that out of March's increase, around 1.5 percentage points was down to bonuses."

Insiders said the Bank of England was "desperate" for similar analyses to be done on January and February's monthly figures in time for the MPC meeting that began

on Wednesday. But database difficulties meant the ONS was unable to produce new figures in time.

The ONS's centred three-month average for February was for an annual increase of 4.9 per cent. Mr Bird said bonuses could at least account for 0.5 percentage points - leaving the underlying growth rate around 4.5 per cent, had there been no bonus payments made.

At the time the data were released last month, the ONS publicly identified bonuses as a factor behind the sharp increase.

The MPC's minutes and the Bank's quarterly Inflation Report, have repeatedly warned that it sees average earnings growth much above 4.25 per cent as a threat to meeting its inflation target.

● The ONS reported a 33 per cent rise in chemical bonuses in March - the traditional month for the sector's performance-related payments. Jenny Leesby writes. This took the sector's annual earnings increase to 8.4 per cent compared with 5.6 per cent in the economy as a whole. The jump coincided with a very difficult year for the sector.

PROPERTY MARKET

FOR SALE - FREEHOLD

ELVINGTON AIRFIELD

162 Hectares (400 Acres)

430 houses, 1000 cars, 10000 sq ft of offices and shops.

Freehold, 10000 sq ft, sold by 25th September 1998.

CONTACT: RICHARD CORRY

HENRY BUTCHER

0113-245 7356

Serviced Offices in Mayfair

Relocation of business, change of premises, expansion or downsizing, all handled quickly and efficiently.

Full support, travel arrangements, cleaning and maintenance, security and parking also available.

phone phone Mr Goulson on 021-459 1169 for further details.

MAYFAIR

2 suites of offices to let in smart period building off Park Lane.

962 sq feet net each.

Flexible terms.

0171 495 6455 Ext 22

Zug - Switzerland

Choose your business location in an ideal environment.

For further information please contact:

mcr

MANAGING CORPORATE REAL ESTATE

Untermythen 3

8001 Zurich Switzerland

Phone +41 1 272 82 80

Fax +41 1 272 82 70

Internet: www.mcr.ch

Germany

AREA of Frankfurt am Main

40 minutes in the airport, 10 minutes in the city

Storage and Logistics Building: 4,000sqm

Office premises: 1,000sqm

optimal for logistics or production (for rent directly from the owner)

Call or fax Uwe Arnold

Tel: +49 69 1840 0 or 69 72 760 20

Fax: +49 69 1840 0 or 69 72 760 20

EUROMONEY TRAINING

Gain latest asset valuation & forecasting techniques

Strategic Property Investment

3-day residential training programme in the UK

taught by Dr. Andrew Boun, Chief Investment Officer, Henderson Real Estate Strategy

A MUST for asset managers, lenders and property analysts world-wide.

For a detailed brochure, Tel: +44 171 777 8753 or Fax: +44 171 777 8905

Or visit our website: www.eurotraining.co.uk

MEMORIAL SERVICE

TOMPKINS Robert, Deputy General Manager and Treasurer of Creditanstalt AG. To commemorate Bob's life, a Memorial Service will be held in The Priory Church of St Bartholomew the Great, West Smithfield, EC1, on Friday 12 June 1998 at 12 noon. All who knew him are welcome to join us.

The FT can help you reach additional business readers in France. Our link with the French business newspaper, Les Echos, gives you a unique recruitment advertising opportunity to capitalise on the FT's European readership and to further target the French business world.

For information on rates and further details please telephone: Toby Finkes-Crofts on +44 171 873 4027

To advertise your

Commercial Property

And reach 52,000 property decision makers.

Contact

Tina McGorman

+44 0171 873 3252

Fax +44 0171 873 3098

BMRC 95.

FT

FINANCIAL TIMES

Conferences

Corporate Property

FT Corporate Property Conference

Winning Strategies for Business and the Financial Community

6 & 7 July 1998, London

This FT Conference will see a platform of experts assess the trends and opportunities in corporate property. In addition, they will also explore the roles that the financial markets and professional service providers are playing in helping businesses to achieve competitive advantage from property and related issues in an increasingly global business environment.

CHAIRMAN

Mr Norman Cohen
Property Industry Correspondent
Financial Times

DISTINGUISHED SPEAKERS

Mr Christopher Jones CBE
Senior Vice President
Chase Property Group
Chase Manhattan Bank

Mr Mark London
Managing Director
Real Estate Investment Banking
Herrlich Investment

Mr Marion Weatherhead
Head of Strategic Property Group
Consultant & Theobald Management Consultancy
Author, Real Estate in Corporate Strategy

Mr Virginia Gibson
BT Property Research Fellow and
Senior Lecturer in Land Management
Department of Land Management and Development
The University of Reading

Mr Graham Whithead
Advanced Concepts Manager
BT Laboratories

FT Corporate Property Conference, 6 & 7 July 1998, London

Registration forms please complete in block capital

Name: _____

Company: _____

Address: _____

City: _____

Postcode: _____

Country: _____

Tel: _____

Fax: _____

Date of Birth: _____

Day: _____

Month: _____

Year: _____

Signature: _____

Date: _____

Checklist: ☐ Please send me conference details. ☐ Please reserve one place at the FT Corporate Property Conference at the rate of £200 (plus £100 plus VAT @ 17.5%). Please note that the conference is being held in the UK. All registrants are liable to pay UK VAT at 17.5% A VAT number will be sent on payment of the registration fee. ☐ Check conference details payable to FT Conferences. ☐ Please send me an accommodation reservation form. ☐ Please charge my AMERICAN EXPRESS Card/VISA with £ _____. Card No: _____ Exp. Date: _____ Signature of Cardholder: _____ I declare that I have read and agree to the conditions of sale on the back of this form.

Checklist: ☐ Please send me a 200 conference fee which is a contribution to the conference. After this date, the full registration fee will apply however, no refund will be given.

To register NOW fax this form to us on: +44 (0)171 896 2696/2697 or visit: www.ftconferences.com

FT Conferences, Mable House, 144 Tottenham Court Road, London W1P 0LL, UK. Tel: +44 (0)171 896 2626. Email: ft.conferences@bt.com

صكنا من الال

BRITAIN

ROYAL AIR FORCE LONG-FAVOURER C-17 WOULD REMOVE OBSTACLES TO JOINT RAPID REACTION FORCE

Defence chiefs propose leasing Boeings

By Alexander Nicoll, Defence Correspondent

The defence ministry is proposing to lease four Boeing C-17 transport aircraft for the Royal Air Force in an effort to make British forces more rapidly deployable. Officials said the C-17 plan comes from proposals for the strategic defence review, now the subject of discussions between the ministry and the Treasury. It is to be published soon.

In advance of cabinet decisions on the review, the RAF is understood to be checking which of its personnel have been trained on the C-17 when on exchange programmes with the US Air Force. Lack of sufficient "strategic lift" - big transport aircraft and ships - is a serious obstacle to making the forces, operating closer together as an expanded joint rapid reaction force, more available for missions to trouble spots.

The ministry has received several proposals on financing acquisition of C-17s. It may hold a competition to supply aircraft on lease or similar terms. The RAF has long favoured the C-17, a jet aircraft big enough to carry a main battle tank. But at about \$200m it is expensive and European countries have been planning to develop their own transport, known as the Future Large Aircraft (FLA).

Although lease of C-17s would be a short-term solution designed to meet the immediate need for heavy lift, it would inevitably further undermine development of the FLA by the Airbus consortium. For its longer-term requirements, the defence ministry plans shortly to invite bids to compete with FLA from Boeing and Lockheed Martin, manufacturer of the C-130J, the latest version of the Hercules.

Germany is studying use of the Russo-Ukrainian Antonov-70 as an alternative to FLA. RAF officers, who are awaiting delivery this summer of the first of 25 C-130Js, argue that they should not operate three types of transport aircraft as this would be wasteful in training and maintenance costs. Use of leased C-17s would give pilots and maintenance crews training and expertise which the RAF might

be reluctant to abandon. Airbus partners argue, however, that the FLA design is the only one which meets requirements set jointly by European air forces. The C-130J is too small, and they cast doubt on the C-17's ability to operate in all terrains. The FLA, which would cost \$70-80m, is designed to carry the "battlefield taxi" armoured vehicles ordered by three European armies.

Clash of professional cultures helps to scupper takeover

The Andersen/Wilde Sapte rupture points to deep-seated differences between lawyers and accountants, say Robert Rice and Jim Kelly

Big accountancy firms hoping to expand into legal services are expected to turn to regional law firms after the collapse of the proposed link between Arthur Andersen and Wilde Sapte, the City of London law firm. The progress of the "Big Six" accountancy firms in London has been slow compared with their early successes in mainland Europe, where lawyers have traditionally been more used to working with accountants due to their strong presence in the tax advice and insolvency sectors. But accountants say the

collapse of the Andersen/Wilde Sapte deal illustrates the difficulties they face in trying to negotiate a successful takeover of a City law firm. Accountants and lawyers appear to have different expectations of a deal. Accountants want the lawyers to help them provide clients with a "one stop shop" for business services; lawyers want more work referred from global accounting networks. There is also a big culture clash between the increasingly commercial focus of the Big Six firms - which have diversified widely from

their auditing base - and the more traditional approach of lawyers. The loose structures of law firms have infuriated accountants, who have become frustrated by what they see as the steady speed at which the City law firms do business when it comes to management issues. "We tried talking to one firm and I had to start again when the senior partner was not re-elected," says an executive with a Big Six firm. "They need to vote at every twist and turn in the deal," remarks another. The Big Six firms have much more corporate-style command structures and want to clinch deals quickly. They are used to senior partners being able to carry their partners with them once



heads of agreement have been signed. Law firms tend to go cold on deals once partners have had time to discuss the merits of working closely with accountants. Underperforming partners in law firms, or those coming towards retirement, are the hardest to persuade. Many are said to fear that the accountants' more businesslike approach to management could leave them badly exposed. As a result many vote against. A "No" vote by a handful of these

partners can in effect block a deal - depending on what the partnership deed says about the majority needed to approve one. The collapse of the Andersen/Wilde Sapte deal also underlines the difficulty law firms have in tying in partners once a deal has been agreed in principle. "Two people resigning who voted in favour of the deal," says one lawyer close to the deal. "It made them worry about how many would turn up when the deal was imple-

mented in September, and if they all turned up how long people would stay." But many City lawyers expressed surprise that Andersen had walked away from the deal simply because two high profile asset finance partners - David Smith and Mario Jacovides - had defected to Allen & Overy, a City rival. Bill Tudor John, senior partner of Allen & Overy, said: "I can't believe they could have called it off because we took two of their partners."

Plea to delay reform of reinvestment relief is rebuffed

By David Wighton and James Mackintosh

The government yesterday refused to change its reforms to reinvestment relief in spite of London Stock Exchange warnings that they will damage the Alternative Investment Market. Helen Liddell, the economic secretary to the Treas-

sury (a junior minister), said the changes would go ahead although the government would keep the impact on liquidity on 'Aim' under review. Ms Liddell told MPs that, depending on the results of that review, the government might consider increasing the size of company whose shares would qualify for

relief. But she ruled out extending it to existing shares rather than newly issued equity. Under proposals in the national Budget designed to harmonise investment incentives, reinvestment relief - which allows capital gains tax to be deferred - would be limited to companies with net assets of less than £10m

(\$16m) issuing new shares. The stock exchange had urged ministers to raise the limit to between £30m and £40m and to extend the relief to existing shares. Ms Liddell's comments brought an angry reaction from Conservative members of the House of Commons committee on the government's finance bill, who

accused the Treasury of undermining other government efforts to encourage entrepreneurial investment. Tim Loughton, a Conservative MP and director of Fleming Private Asset Management, said the move was "harmonisation without purpose" and that ministers had "fallen into the lap of bureaucrats in the Treas-

ury". But Geraint Davies, a Labour MP, dismissed Mr Loughton's criticisms, accusing him of being a "parasite" merchant banker. The AIM market said it was "disappointed" its arguments had not been accepted. "We will obviously be watching the liquidity of the market very carefully."

NEWS DIGEST

BBC REORGANISATION DISPUTE

Threat to summer sport as strike hits World Service

The World Service was among many BBC broadcasting services affected yesterday by a 24-hour strike by technicians. The BBC said that, despite the disruption by the Bectu broadcasting trade union, it was able to maintain five-minute hourly news bulletins on the World Service throughout the day. The BBC is preparing contingency plans to protect its coverage of the soccer World Cup in France after the technicians warned that they might target matches, which begin on Wednesday. They also threatened to block out tennis at Wimbledon. BBC staff fear that the technical arm of the public-service corporation, which is reorganised as a separate company called BBC Resources, is being privatised by stealth. They are concerned jobs could be lost. Another one-day strike is planned for Tuesday and further action could be called as the World Cup gets under way. Bectu said: "The six French broadcasting unions have pledged their support. They have agreed to call meetings with their members to discuss industrial action if progress is not made by us." Andrew Bolger, London

INCIDENCE OF 'MAD COW' DISEASE

Wider exposure suspected

An expert on BSE-type diseases yesterday raised the possibility that cattle not showing signs of the disease could carry the infective agent, perhaps in muscle tissues. Such tissues have been thought to be safe to eat. Professor John Collinge, of London's Imperial College School of Medicine, told the BSE inquiry yesterday he was concerned by gaps in government research into prion diseases, such as BSE in cattle and Creutzfeldt-Jakob disease in humans. But his fears that infectivity could be carried in muscle tissue as well as in organs such as brain and spinal cord - which have had to be removed from carcasses under a 1989 ban - raises the possibility that more people have been exposed to BSE than had been thought. Maggie Urry, London

EUROPEAN CAR ASSESSMENT

Companies win apology

The Consumers' Association yesterday apologised to Daewoo, Honda, Suzuki and Hyundai over its reporting of the round of crash tests undertaken by the European New Car Assessment Programme. There is no suggestion that the test results were at fault; the apology concerned only the association's interpretation of them. Daewoo said yesterday it had suffered "hundreds" of cancelled orders for its new Lanos model after the association had criticised its safety and that of the Honda Civic, Hyundai Accent and Suzuki Baleno. The association had misread the system of safety "stars" awarded to the cars, prompting Honda also to claim that it had suffered "specific damage" from the criticism. "We gave the impression that all these cars presented an equivalent, unacceptable risk of injury in overall terms. This was incorrect - we wish to apologise for the confusion that resulted from our original release," a statement from the association said. Statistics from the Society of Motor Manufacturers showed yesterday that registrations of new cars in May rose by 1.7 per cent, year-on-year, to 172,851 - lifting registrations for the first five months as a whole to 957,105, up 7 per cent on the same period of 1997. John Griffiths, London

Asia rescue details

China allows HK gathering mark 1989 repression

Household spending weaker

Spanish executives arrested

UNISYS

has achieved expertise in virtually every aspect of supporting Cisco products, so they've given us a special certification:

Global Support Partner.*

FT SPORT

WORLD CUP DETERMINED FRENCH MAKE FINAL PREPARATIONS IN STYLE

Host needs shot of party spirit

France has everything in place for the tournament, says **David Owen**, but it needs the joie de vivre of foreign fans

A curious structure with what looks like an outside football at its tip is taking shape around the famous obelisk in Place de la Concorde in central Paris. "It's the World Cup trophy," confides a red-shirted security man sporting an Elton John baseball cap. "There are going to be giant screens in it."

Such gestures, however garish, show how hard France is trying to make sure that the last World Cup of the millennium, arguably the biggest sports event ever organised, is a success.

Following a steady build-up of posters and France 98 merchandise over recent months, inhabitants of the French capital are reminded of the tournament's approach more and more frequently. Buses have been adorned with flags of one of the participating countries and signs bidding visitors "Welcome" in several languages. Even Hediard, the posh people's grocer, is discreetly joining in, putting praline-filled footballs on the counter - FF18 (\$3.00) for a bag of three.

What is missing, at least

at present, is the party spirit that will make these meticulous preparations worthwhile. Certainly, the national mood has lightened in recent months as economic growth has picked up and unemployment has begun to fall. But France is not a country where the approach of a big football tournament is automatically a cause for nationwide rejoicing.

No doubt the excitement will mount as more of the expected 500,000 foreign fans arrive and the competition gets under way - especially if the French team perform well. But it is hard to escape the feeling that if the tournament were being played in a genuinely football-mad country such as Brazil or Italy, the atmosphere would already be more electric.

Of course, the organisers of such events have plenty of other things to worry about. They must be alive to the threats of terrorism and hooliganism. And France 98 is now facing an additional eleventh-hour logistical complication in the shape of the Air France pilots' strike, which may still be going on

when the tournament kicks off next Wednesday.

This strike is just one of the elements that has generated negative media coverage for France in the run-up to the competition. Others include the debate over the quality of the pitch at the brand new, FF2.7bn Stade de France, and the furor over the shortage of tickets for foreign fans.

It all rather begs the question why countries are keen to expose themselves to the trouble, risk and expense of organising the colossal undertakings that the top international sports events have become. After all, if France cannot avoid such adverse publicity - for all its stylistic flair, organisational discipline and top-class infrastructure - it is tempting to ask who could.

That said, some aspects of organising this year's tournament were particularly tricky. With 32 teams competing in the finals and 64 matches, this will be the biggest World Cup so far. The country's geographical position makes it easily accessible to supporters from many qualifying nations. Nor was life made any easier for the organisers by the decision that teams would play their three opening group matches at different venues. The



Sporting monument: the Stade de France. The country has had to wait nearly 80 years to get a stadium the same size as Wembley

Comité Français d'Organisation (CFO), the body running France 98, says this was in line with the wishes of Michel Platini, the French midfielder of the 1980s who is now its co-president.

Eric Briat, a senior civil servant involved in co-ordinating the tournament, lists three reasons for wanting to host it. The first was a desire to improve the quality of the country's sports infrastructure. This has been accomplished, with extensive works at the nine existing World Cup venues and construction of the breathtaking new Stade de France at

Saint-Denis, north of Paris. As Briat says: "It has taken nearly 80 years to get a stadium the same size as Wembley." Looking ahead, the authorities also hope the infrastructure linked to the new stadium will help regenerate Paris's depressed northern suburbs.

The second was to give another boost to the country's construction industry which had benefited from generous public spending in the 1980s, partly linked to the high-profile projects of the Mitterrand era.

The third was to use the tournament to promote

France's image and products - although Briat admits it will not necessarily increase the number of visitors this year. "There was a risk the number of visitors would fall, but we think now it will be balanced," he says.

In one imaginative initiative, Datar, the government agency responsible for fostering inward investment, is inviting 250 prospective investors to a programme including a game featuring their national team. Datar says guests were selected "from heads of the top 100 companies in each country now considering

an investment in France". In all, France is spending about FF9.4bn on this year's tournament, FF6.7bn of which has gone on infrastructure. Most of the FF2.7bn organisational expenses are contained in the CFO's FF2.4bn budget. Briat believes ticket receipts and sponsorship revenues should enable the committee at least to break even. "We have reasonable reasons to think we will reach at least equilibrium and maybe a little profit," he says. And, the organisers are hoping, give world football a party to remember.

FIFA POLL

African votes may be decisive

The election of the new president of world football governing body Fifa in Paris on Monday by some 132 of the organisation's member federations, looks set to be decided by a handful of undecided votes belonging to the African continent.

Yesterday the two rival presidential candidates, Lenart Johannsson, the president of the European regional body Uefa, and Joseph "Sepp" Blatter, Fifa's general secretary, said they were confident of victory, but on the basis of contradictory claims as to the destination of the African votes.

Blatter has been campaigning furiously among the 44 African football federations likely to be eligible to vote, in an effort to offset Johannsson's main power base in Uefa.

Only two of the 51 European federations - France and Denmark - had by last night said they would definitely vote for Blatter. The Johannsson camp claimed yesterday that a secret meeting of the English Football Association executive had voted last month to support its candidate, although an FA official insisted that a final decision would be taken this weekend.

Blatter, with strong help from the outgoing president João Havelange, is thought to have secured strong backing from the 10 South American nations, and a substantial number of the 35 votes from Concacaf, the north and central American and Caribbean regional grouping.

The Johannsson camp has won strong backing from Asia and Oceania, worth an estimated 30 additional votes in all.

The only consensus emerging from Fifa insiders is that neither candidate is likely to secure the two-thirds majority required in a first ballot on Monday. The second ballot, held on the same day, requires a simple majority.

Earlier this year, the Confederation of African Football announced its support for Johannsson, but federations within CAF are said to be badly split.

A pro-Blatter campaign is being headed by Algeria, Kenya and Liberia, after Blatter promised that if he was elected the 2006 World Cup - for which England, Germany and South Africa are the main bidders - would be staged in Africa. Blatter claims he has secured the backing of at least nine African countries, although this was disputed yesterday by Johannsson officials.

Among the eminences grises to have emerged during the campaign are leaders of the Arab world, who are thought to have given Blatter financial support.

Johannsson has funded his campaign via a SwFr600,000 grant from Uefa. Both candidates have presented themselves as reformers, although Blatter's conversion from continuity to change, distancing himself from his mentor João Havelange, has been more recent.

Jimmy Burns

MEMORABILIA

A strangely British passion

There has been talk this week that the British government might find the money, through the National Lottery, to buy the football memorabilia of the late Bobby Moore, the captain of England's 1966 World Cup winning team. But whether or not that materialises, the World Cup is going to be under the spotlight in the auction rooms this summer, as well as on the pitches of France.

Moore's widow, Tina, is said to be wanting £2m (\$3.2m) for his collection of 108 England caps and West Ham club trophies as well as his World Cup medal, but she has yet to put it on the market. The first England World Cup winner's medal to come on sale is that of the full-back, George Cohen. Christie's Scotland is offering the medal at its annual football auction, which has been brought forward from October to June 30 to coincide with the World Cup.

Cohen says he is selling reluctantly, but needs the money for his pension fund. The record paid for a medal to date is £17,500, paid for the 1977 European Champions Cup winner's medal awarded to Ray Kennedy of Liverpool, so there is bound to be great interest in the Cohen medal. Some specialists have said it could fetch as much as double the estimated £30,000 to £40,000.

Football was until recently the Cinderella of sports memorabilia in the auction rooms, with prices trailing behind areas such as golf where Japanese enthusiasm saw prices soar in the 1990s. Yet Christie's October 1996 sale - which included the collection of the late Billy



Memories for sale: George Cohen (left) and Bobby Moore (centre) after the 1966 final. Hulton Getty

Wright, the England captain in the 1960s - fetched a total of £303,750. Wright's 100th cap sold for £28,000, against a reserve of £200. In all the collection realised £110,000, over three times the original estimate.

The boom in football items can largely be ascribed to the dramatic way in which British football has changed in recent years. John Eastwood, the manager of Extra Cover, a London sporting memorabilia shop, says: "The perception of football has changed radically in recent years. It used to be a working class sport with a cloth cap image, and hooligans and men standing on roofs, wind-swept terraces. Now you have all-tickets stadiums with heated stands, executive boxes and season ticket holders."

As the game's prosperity has increased, it has become fashionable among a new class of spectators with the money to spend on memorabilia - and the kind of World Cup ephemera now flooding the shops worldwide.

Yet it was only with the 1982 World Cup in Spain that spin-off business developed. Duncan Chilcott, the author of *The Hamlyn Guide to Football Collectables*, says: "When it comes to football ephemera there were not many items made before the 1980s. There are things like the [1966] Waving Willie mascot but they are not expensive."

Collecting football memorabilia is largely a UK passion. Two nations of collectors in most fields, the US and Japan, are still finding their football feet. As a result, an anonymous Englishman paid only £254,000 for the original Jules Rimet World Cup trophy at a Sotheby's auction last year. But there is great scarcity value in England winner's medals - there are only 11 of them in existence, as the side have only won

once, and medals only went to the starting line-up, rather than the full 22-man squad and the manager, Sir Alf Ramsey.

Other items coming up soon include a shirt that Roger Hunt, another England player, swapped with West Germany's Wolfgang Weber after the 1966 final - estimated at between £30,000 and £40,000 at a Sotheby's auction to be held on July 15. Programmes for the World Cup final were produced in such abundance they fetch little, although one signed by the whole team is worth around £1,000. The Waving Willie soft toys can fetch from £50 to £400. If the football boom continues, collectors' interest will surely extend beyond medals, shirts and programmes. Hang on to those World Cup beer mats, napkins, toys and pens - they could be valuable one day.

Stewart Dalby

FOOTBALL VIDEO GAMES

Official tag helps big sales to little screens

If there is something slightly chunky about the footballers moving around the screen in the new official Fifa video game World Cup 98, now on sale, it is not the fault of the computer software.

It is because the animation templates, which used to be based on David Ginola, Tottenham Hotspur's French pin-up, are now moulded on American players, notoriously rather chunky guys.

World Cup 98, the only game permitted to use the World Cup name and imagery, is the top-seller among the fistful of football video games being released between now and the end of July in Britain, the world's biggest market for such games.

The other hot title at present, *Three Lions*, is the official England game, licensed by the Football Association and produced by Take 2, a small British label.

The Fifa games are produced and distributed under an exclusive licence by Electronic Arts of California, the world's largest home computer software company. Last year it reported earnings of \$53m on sales of \$825.7m.

World Cup 98 is the latest in a line of Fifa-licensed games going back five years. Each year the Fifa title has been a top seller. Fifa 97 is estimated to have sold more than 230,000 copies in the UK alone, and well over 1m worldwide. Fifa 96 (*The Road To The World Cup*), and World Cup 95 will probably do better than that, even though the latter will be bumped by a new Fifa game



Video star: what World Cup 98 game players look like

in time for Christmas.

This is the first time EA has released a product with such an intended short shelf life. EA's other sports titles, including all the North American major leagues, tend to be updated annually. But the company is under-terred. "This version is vastly improved over the previous one, in keeping with the magnitude of the World Cup product. It's not a wishy-washy upgrade," says Clive Downie, marketing manager of EA's Fifa franchise department.

Much of the credit for the success of the games goes to the Fifa endorsement. "It most definitely makes a vast difference. This is one of the most valuable sports licences on the planet," says Downie.

EA pays Fifa a royalty for the licensing rights, estimated to be at least £2.50 per unit sold, meaning that the Fifa deal is probably worth at least as much as one the company has just signed with golfer Tiger

Woods, thought to be worth \$8m over four years.

Big names and "official" tags do not guarantee success. Video games players, now more fickle and sophisticated, read reviews and judge games on design and competitiveness.

"There's no point in attaching a big brand to a rubbish game because people just won't buy it," says Simon Kay of Licensing Management International, an international leader in computer games licensing. "But generally, the official label helps sales."

Nowhere is the merging of sport and television more visible than in computer football games. They reproduce camera angles as carefully as they recreate the performance of real players according to their abilities and quirks. One of the great achievements of these games is offering authentic running TV commentary. For the English language version of World Cup 98, BBC commentator John Motson has recorded some 18,000 samples in all, including all the player names with four different intonations. There is commentary in other languages, too.

Media rights are a gameseller's nightmare. World Cup 98 includes all 32 finalists, with the players referred to by name. This is not part of the Fifa agreement. "It's a legal grey area," admits Downie.

Jay Stuart

The author is editorial director of *Sports Investor and Sports TV Report*.

June 10-July 12. O

The single biggest sports event ever is coming to France. World Cup 98. And from information to transportation, EDS is proud to help the Comité Français d'Organisation.

Systems & Technology Services

Business Process Management

Management Consulting

مكتبة الامم

PETER ASPDEN LOOKS FORWARD TO A SHOWCASE OF SKILLS AT FRANCE 98 FOLLOWING A CONTROVERSIAL RULE CHANGE...

Talent the winner as tough guys are tackled

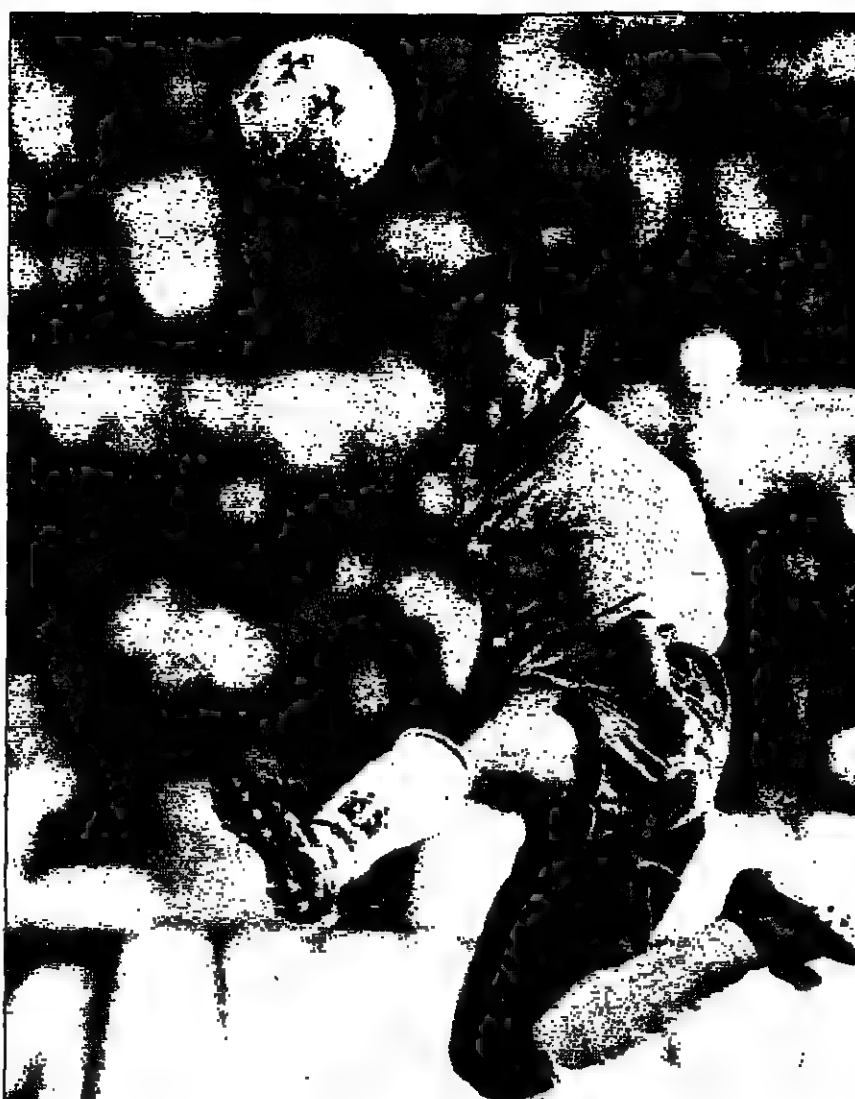
One might forgive the footballing romantic the odd moment of wistfulness in these final few days of build-up to next week's World Cup.

The lachrymose departure of two of the outstanding talents of the past couple of tournaments - England's Paul Gascoigne and Brazil's Ronaldo - is timely ammunition for those who claim that football, in its modern form, can no longer entertain the unreliable talents of the game's mavericks.

Both of these swaggering, quick-footed players were ultimately let down by their bodies, and a temperament that has occasionally (in Gascoigne's case frequently) rubbed against the strictures imposed by professional sport. In truth, they had no right to expect to play at the highest level beyond the age of 30; and so it has proved.

But although such figures provide plenty of colour and drama for a tournament, a World Cup is about something more: and in purely footballing terms, there is still plenty to savour over the coming weeks.

The new generation of superstars is cut from somewhat different cloth, however. Brazil's 21-year-old striker Ronaldo - already a far greater talent than either



Headstrong: Edmundo of Brazil, who is known as 'The Animal', has a wild reputation

final showed he can twin superb technique with the ball.

It will reward those players with the touch and balance to change direction quickly, and penalise those who rely on strength to intimidate. There will surely be no repeat of the treatment handed out to Pelé in 1986 and, more recently, to the young Diego Maradona by Italy's notorious hard man Claudio Gentile in 1982.

Forwards will never have had it so good. Ironically, the player with the widest reputation in the present tournament is a Brazilian attacker, Edmundo, or "O animal" as he is fondly known at home.

So plenty of skilful attackers to be cosseted by vigilant

referees; added to which, this year's enlarged format does not allow any third-placed teams in the preliminary groups to qualify. Teams need early victories to be confident of further progress. Could we be in for a classic World Cup?

It is not as simple as that. Italy's coach Cesare Maldini has already predicted that the new tackling clampdown could result in a more defensive style of football. In their anxiety to prevent their defenders from being exposed, managers will shore up their midfield with a protective screen, and then rely on the counter-attack.

One only needs to think of England's coach - Glenn Hoddle's apparent insistence on playing both David Batty and Paul Ince in his midfield, or the stolid virtues of Brazil's Dunga and Cesar Sampaio, to find the prediction plausible.

Significantly, many observers thought the most important member of the German side that won the 1996 European Championships was the unassuming ball-winner Dieter Ehlis, the type of player who incites torpor rather than frenzy.

Similarly, the introduction of the golden goal rule in extra time may encourage teams to become more, rather than less, cagey. One thing is certain: penalty shoot-outs and suspensions, the bane of modern international football, are sure to play key roles as the tournament unravels.

But Wednesday's opening match is a time for optimism. The hype is almost frightening, the pressure to perform prodigious. In Ronaldo, France 98 has a protagonist who can live up to the billing, as Maradona memorably did in 1986. He, more than anyone, has the power to reduce a whole new generation of rivals and teammates to tears.

RUNNERS & RIDERS

Pioline plays matador to bullish trio of Spaniards



The dominant colours at this year's French Open have been red and yellow. Several groups of enthusiastic Spanish supporters have waved their flags proudly to acknowledge the performances of their three countrymen, all based in Barcelona, who have qualified for today's men's semi-finals - itself a record for Spanish players in Grand Slam Championships. Of the three, the 21-year-old No.12 seed Carlos Moya (left) has emerged as the logical favourite after eliminating the man in form, No.3 seed Marcelo Rios of Chile, who was expected to win his first Grand Slam crown this week. In a year of unprecedented upsets among the men, Rios alone of the top 10 seeds had survived to the quarter-finals.

Moya plays his old sparring partner Felix Mantilla, who is two years older and seeded No.15. They travel together, practise together and know each other's games backwards. This will be their eighth meeting with Moya leading the series 4-3 - although Mantilla has won their last two matches. After beating Rios, a smiling Moya said: "We're going to be friends until Friday... when we get to the court I will want to kill him, on the court of course, not off the court!"

Alex Corretja, 24, the 14th seed, has the daunting task of facing Frenchman Cedric Pioline, finalist at the US Open in 1993 and Wimbledon last year. Corretja will be hoping that Pioline, 29 next week, is exhausted after a gruelling five set battle against gifted Moroccan Hicham Arazi on Wednesday.

Corretja knows, however, that he will also face some 16,000 French supporters doing the Mexican wave on the Centre Court today. The emotional scene will resemble nothing so much as a bull ring, with Corretja cast in the role of the bull.

In the women's final, meanwhile, another Spaniard - Arantxa Sanchez Vicario - faces Monica Seles. Vicario overcame an error-prone Lindsay Davenport 6-3, 7-6 (7-5) in her semi-final yesterday, while Seles - playing only a fortnight after the death of her father - stunned top-seeded Martina Hingis 6-0, 6-0.

John Barrett

- Argentine striker Gabriel Batistuta will wear the number nine jersey in his country's World Cup squad, a clear signal that he has regained his position as first choice centre-forward after a public falling-out with national coach Daniel Passarella.
- Top Italian club Inter Milan says it has a "gentleman's agreement" to buy star player Roberto Baggio from Bologna after the World Cup.

SIDELINE VIEW



England openers dominate S Africa

If Alec Stewart could have scripted the first day of his reign as England captain himself, it is doubtful whether he would have come up with a more propitious scenario than the one he presided over in the first Test against South Africa at Edgbaston, Birmingham, yesterday. Underpinned by an opening stand of 179 between Mike Atherton and Mark Butcher, a ground record for the home team compiled against arguably the world's most incisive new-ball attack, England's closing score of 249-1 represented unforeseen riches. Relieved of the cares of captaincy, Atherton resembled his old stubborn self, producing his most authoritative innings for over a year, while Butcher, a marginal but thoroughly justified selection, once again demonstrated his affinity for pressured situations.

Just as critical, however, was the lacklustre performance of Allan Donald and Shaun Pollock in the morning session. Granted first use of a green-tinted pitch when Hansie Cronje won the toss in conditions eminently suitable for swing bowlers, they belied their knowledge of the terrain - both have spent summers with Warwickshire - by pitching woefully short.

Fortunate to survive a leg-before appeal by Pollock on 11, Butcher (77) ultimately fell in disappointing fashion, sweeping Paul Adams' unorthodox left-arm spin to backward square leg, but Atherton, penance personified, knuckled his concentration and resolve. Shortly before stumps, ironically, his first false shot, a thick edge off Pollock, took him to his first Test century on the ground. Behind the soft, almost sheepish smile lay immense relief - and not exclusively his own. Rob Steen

Tomorrow in Weekend FT: World Cup - the pain of following England; French Open tennis - the ladies' final.

FT World Cup coverage: A daily page of match reports, news and features from France 98, will begin next Wednesday.

... AND SIMON KUPER PUNCTURES SOME COMMON MYTHS ABOUT THE TOURNAMENT

Fictions worthy of a red card

No event generates as much nonsense as the World Cup. Here are just a few of the silly things you will be told, day after day, for the next month.

1. "Yugoslavia (or Nigeria, or Croatia, or Denmark) are a good outside bet to win the World Cup." Outsiders never win the World Cup. Only teams that have already won it win it again, because to win the World Cup you have to believe that you can do it. Upstarts find it hard to believe that they can beat Brazil, because when Brazil take the field they carry with them the memory of past great Brazilian teams. Germany, Italy and Argentina have something of the same magic.
2. "Penalty shoot-outs are a lottery, a ridiculous way of deciding matches." If penalty shoot-outs are a lottery, why do Germany always win them? Shoot-outs test a team's nerve under pressure. The rule of thumb is that the team that were favourites before the match win the

shoot-out, and that the losing country's newspapers then cry lottery. Paolo Maldini says he knew Brazil would beat his Italian team in the shoot-out after the last final - and that Brazil would deserve to.

3. "An African team will win the World Cup soon." Pundits like making this prophecy because it sounds generous to the Third World and cannot immediately be disproved. In fact, African teams are getting worse and worse, no surprise given the continent's economic decay. In 1978, Tunisia beat Mexico and drew against West Germany. In 1982, Algeria beat West Germany and Chile; in 1986, Morocco topped England's group; in 1990, Cameroon, led by the glorious Roger Milla, reached the quarter-finals; and in 1994, Morocco and Cameroon disgraced themselves while a hyped Nigerian team fell in the second round. The average points-per-game achieved by African countries has dipped slightly over the past 20 years.
4. "The African players are wonderful natural athletes." So are the English, Argentinian and Japanese players.
5. "World Cups can keep dictators in power and decide elections." People are more intelligent than that. When a team wins the World Cup, the presiding ruler - Benito

Mussolini, or General Videla of Argentina - invariably appears with the players and tries to claim credit. Yet it would have taken an exceptionally dim Italian to believe that Mussolini himself had won the trophy.

Furthermore, the national rejoicing after the victory only lasts a few days. In those days alone, the World Cup may have a modest political impact. Harold Wilson said he lost the 1970 UK general election because England had just been knocked out of the World Cup by West Germany. But then he would say that, wouldn't he?

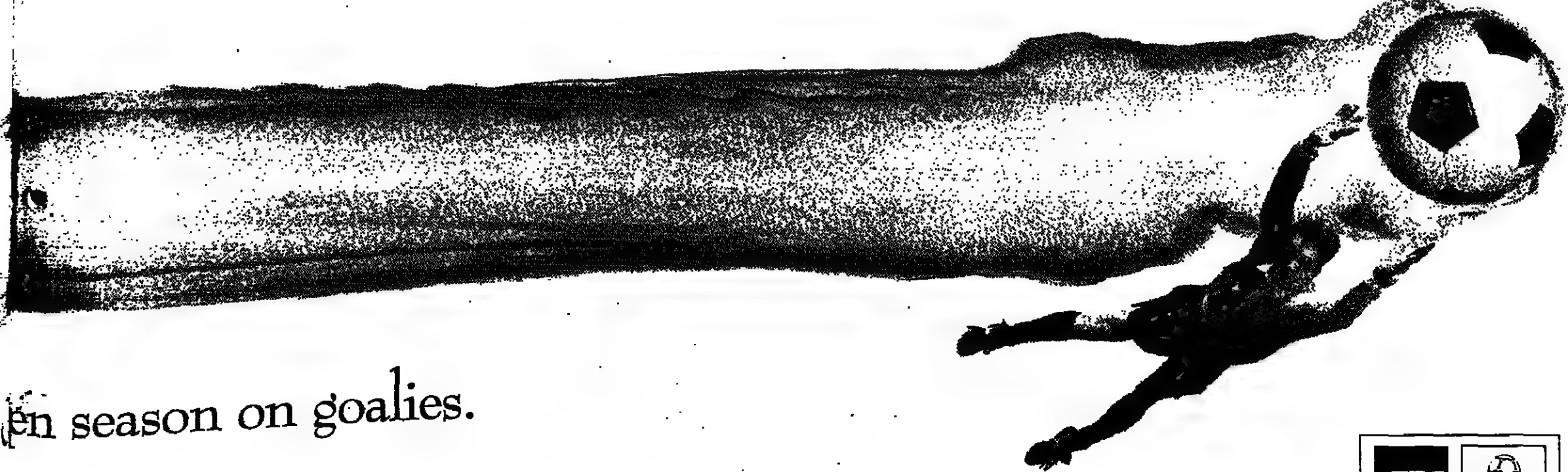
6. "The World Cup has become a commercial event on an unparalleled scale." Not compared with the Citicorp-Travelers merger, it hasn't. The television rights for this World Cup were sold for £73m - a figure of barely credible tininess - and the tournament's sponsors are forecast to spend about £75m on rights plus advertising. All that money together would not buy 1 per cent of Citicorp.
7. Nor has money particularly changed the World Cup. There is no more at stake than in the past: teams have always desperately wanted to win it, and now that so many players are millionaires, they hardly need worry about their

World Cup bonuses. The reason games have become tighter and scoring more difficult is that football has grown more sophisticated. Pelé would sometimes beat defenders and then allow a walk so that they could try to tackle him again; Ronaldo often has four defenders on him within a second.

8. "Tickets are at a premium." But there will be swaths of empty seats at many matches, as there usually are at World Cups. Tickets are hard to come by not because millions of people want to watch Japan v Jamaica or Mexico v South Korea but because ticket sales are badly organised.
9. "The World Cup will be disfigured by hooligan riots." Often a "hooligan riot" means 10 people having a fight in a bar, a common event in European summer holiday resorts.
10. "Some fans are so passionate that they will kill themselves when their team is knocked out." The people who kill themselves are not the most passionate fans, but manic depressives. They get caught up in the euphoria when their country is doing well, and are excessively sensitive to the general despair afterwards.
11. "The Brazilians play to the rhythm of samba." Ronaldo, their best player, only listens to reggae and pop.



Cameroon conqueror: Roger Milla playing during the 1990 finals, but African sides disappointed four years on



ten season on goalies.

Put it all together. For more details call 44-181-754-4822. Visit us at www.eds.com. And get ready for a month of the greatest football you've ever seen.

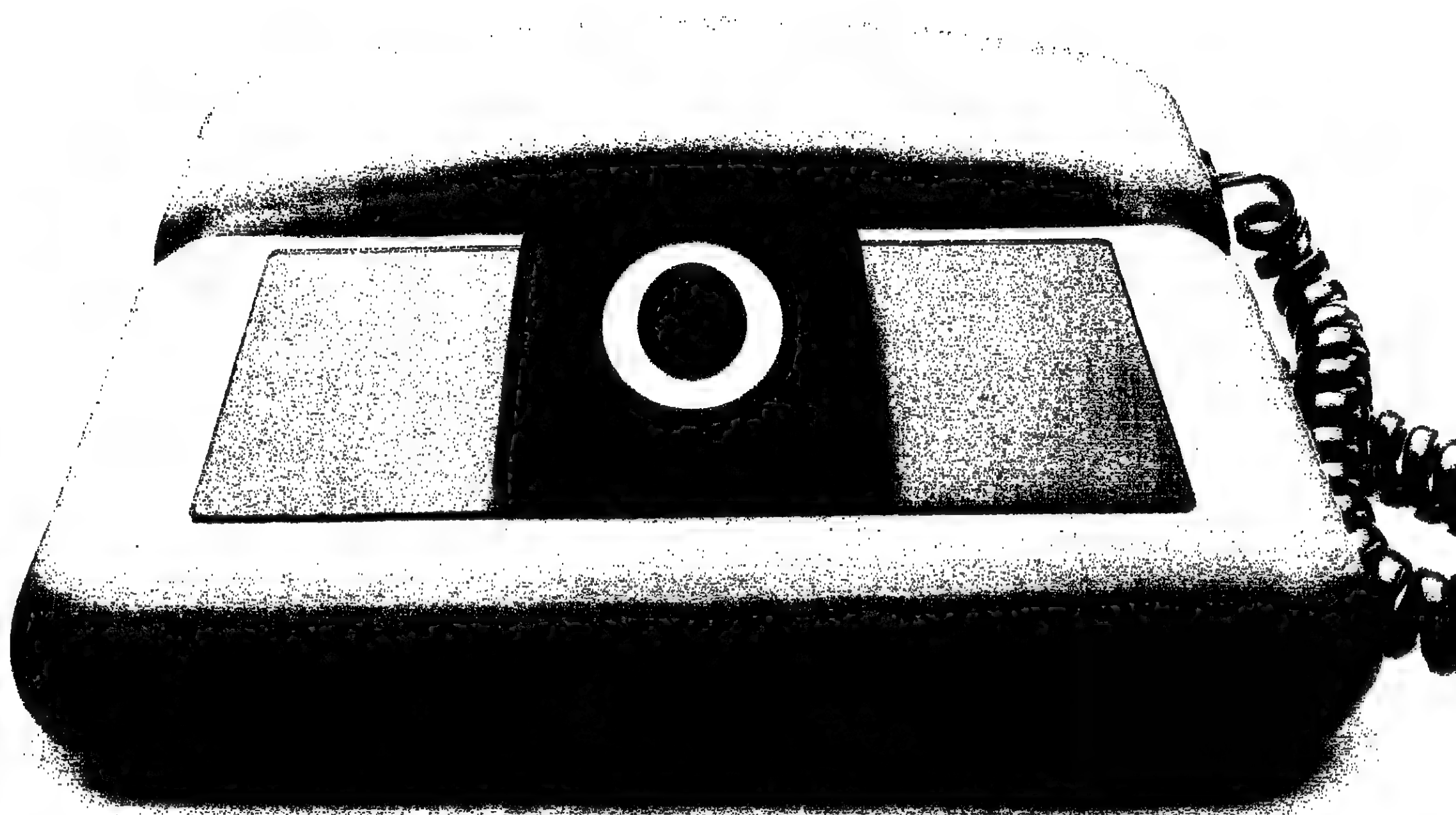
Management Consulting

Electronic Business

A more productive way of working



Starting June 19 when you call Italy just add a zero.



What number is easier to remember than zero?

Starting on June 19, when you call Italy, just add a zero to the area code. So, for example, from that date on, if you want to call Milan, +39 2 5555555 will become +39 025555555.

Nothing could be simpler!



+39 0 25555555

The Italian telephone system has chosen this way to celebrate its entry into Europe, in line with the Community Directive on the liberalization of the telecommunications market.

From June 19 on, if you're calling the most beautiful country in the world, just remember the zero!



www.telecomitalia.it/numerazione

TELECOM
ITALIA

Moving
from the
shadows

Raising volume
around the world

هاتف من الامم

MANAGEMENT & TECHNOLOGY

MARKETING BRANDS

Moving from the shadows

Corporations are stamping their identity on consumer products, says Alison Smith

The distinctive slanted lettering is almost exactly as it was 40 years ago, and the slogan remains "Have a break, have a KitKat". In the decades between these two pictures, the most noticeable change is the difference between the discreetly small lettering of "Made by Rowntree's" at the bottom of the 1950s advertisement, and the prominently displayed "Nestlé" on the chocolate bar now.

In stamping its presence on KitKat and other chocolate, cereal and dairy products, Nestlé is one of several international consumer brand owners that have been moving their names out of the shadows. Besides adding the corporate name to some products, it has renamed some brands, such as the yoghurt Chambourcy, as Nestlé and put a smaller Nestlé "seal of guarantee" on other types of products. Peter Brabeck, Nestlé's chief executive, says: "Nestlé is a brand in its own right. If we want to be perceived as the world's leading food company, we have to offer an increasing amount of products that they can identify as Nestlé's."

The approach is a shift away from traditional marketing wisdom: the argument used to be that an organisation that owned a number of diverse product brands should remain firmly in the background, rather than get in the way of the individual brand's communication with consumers.

There was also the argument that companies could have more than one brand in a category. Dave Allen, chief executive of Enterprise IG, the branding identity group, says: "The old thinking was to keep company names out of the picture, so that you could have competing brands. I think that is a bit outdated now. Over the last 12 months, we have seen some very large brand owners starting to look at what

the role of the parent company should be."

Even at Procter & Gamble the mood has changed. The food, household and personal products group is the world's largest advertiser but has also been renowned for keeping a low corporate profile.

Paul Polman, general manager of P&G in the UK, says: "The company is now a bit more flexible about corporate branding than it was five or 10 years ago when we would have said that promoting our [individual] brands globally was the best solution for creating value."

In some countries such as Japan, Russia or India we have taken a different approach and used the corporate umbrella of P&G for creating value."

Richard Block, global planning director at J. Walter Thompson, the advertising agency, says that one of the original factors behind the growth of corporate branding was to combat the rise of "own label" supermarket products 15 to 20 years ago. "Brands were ill-equipped to respond individually to the attack of the retailers: the corporation had to take responsibility for the quality of its products."

Since then, he adds, inflation in the cost of marketing and advertising means it has become uneconomic for an organisation to support all its product brands equally.

'The company is now a bit more flexible about corporate branding'

Brian Boylan, chairman of Wolf Olin, corporate identity consultancy, agrees that the need to use resources efficiently is one of the reasons organisations turn to corporate branding.

"Marketers are under pressure to leverage their brands over a larger number of products and services in order to justify the investment in brand building," he says.

Making more use of the



Need the small print today? Nestlé's name is prominent, while in the 1950s 'Made by Rowntree's' was tucked away

corporate brand can also be a way of coping with the growing number of audiences that consumer companies want to address and their increasing demands for information.

In many markets - Mr Polman gives the example of Japan - consumers want to know more about the company behind the products they buy. Mr Block says that shareholders in a company may be reassured by visible reminders that the organisation in which they have invested is behind successful products. Linked to this there is, he believes, an element of "corporate hubris", especially among US corporations, in the need to make their presence more strongly felt on their products.

According to Mr Boylan, employees are another demanding audience. He says that promoting a corporate brand has a role in attracting and keeping staff. And as consumers, investors and staff overlap, the case for projecting a single image of the parent company becomes stronger.

However, there can be dangers in raising the parental profile. "The big risk has always been that if one of your brands has a problem then the corporation is tainted and it takes every

other brand down with it," says Mr Allen.

Some say there may be a risk to the corporate brand itself if a company adopts a high profile but does not put into practice the values it seeks to represent and impart to its individual products.

"It's too easy to get wrapped up in huff and puff," says Mr Boylan.

"The brand has to deliver what it promises."

ON THE BUTTON VIDEO TAPE ACCESS SYSTEMS

Navigation picks up speed

Finding a specific recording on reams of tape may be about to become a much swifter process, says George Cole

As a recording medium, video tape offers many advantages. It is cheap, has a high recording density, and the technology is tried and tested. But video tape suffers from one big disadvantage when compared with disc-based media: its slow access time. Finding a track in the middle of a music CD is quick and easy; locating a specific recording on a video tape can be slow and frustrating, as you spend through metres of tape. But a new generation of video tape navigation systems appears poised to transform home video recorders.

For years, VHS manufacturers have been working on systems designed to make it easier to find recordings on tape. In 1987, a breakthrough was achieved with the development of the VHS Index Search System (VISS), which places an electronic index mark at the beginning of each recording. By using VISS, a video recorder can be programmed to find a specific index mark by simply entering its corresponding number on a remote control handset (key in the number three, for example, and the VCR will look for the third index mark on tape). The video recorder then races off to find the index mark and automatically goes into playback mode at the right spot.

VISS is a useful system, but it does not tell users what programmes are recorded on a video tape - consumers still have to note every recording they make. In the late-1980s, Grundig launched its Archive system,

which used a built-in memory chip to store details of up to 1,400 video recordings. The Archive system gave each video cassette a number. Whenever a video tape was inserted into an Archive-equipped VCR, its ID number was checked and its contents displayed on a television screen. That included a list of programme names, with recording times and dates.

Unfortunately, the Archive system was clumsy, involving much button-pressing. Grundig quietly dropped the system. In the 1990s, the US company Gemstar proposed a tape navigation system called Index Plus, but it was never taken up by the video industry.

This year sees the launch of three tape navigation systems. All have several things in common. First, they make use of systems broadcasting programme data over the air. In the US, this is provided by a system known as TV Guide Plus. In most other countries, teletext is used. The broadcast data may include the programme title, channel name or number, plus recording time and date. When a recording is made, these data are extracted and stored by the tape navigation system. Second, all tape navigation systems use the VISS format to locate specific recordings. Third, all three involve minimal effort.

Sony has developed SmartFile, a system with a super-thin memory chip that sits inside a cassette label. Each memory chip can store enough data for about a dozen programmes. To find out what is recorded on a tape, users simply wave the cassette at a sensor located on the front of a SmartFile-equipped VCR, and its contents are displayed on a television screen. A second sensor inside the VCR can also read the tape contents. SmartFile offers features including the ability to "lock" specific recordings so they are not accidentally erased. SmartFile is impressive, but the special cassette labels are not cheap - a pack of five costs about £8 (£13 in the UK).

Panasonic's Tape Library System stores its video contents data on a SRAM (static random access memory) chip inside a VCR, and it also writes the data on a portion of the video tape known as the vertical blanking interval (VBI). The VBI has no picture content. Panasonic's system has enough memory for up to 200 video tapes (with an average of three programmes per tape), and as with the Archive system, each tape is assigned a unique ID number.

Video users can discover what is on a cassette by simply inserting it and reading its contents from an on-screen menu.

"If you are not sure what's on all your tapes, you can read the entire contents from the VCR's memory chip on your TV screen," explains Robert Wojcik, video product manager for Panasonic UK.

"You just scroll through the pages until you find the cassette you want. All users have to do is to number each cassette." If the SRAM chip develops a fault, the data may be recovered since the chip's content is always written on the last-used video tape.

Hitachi's Tape Navigation system works in almost the same way as Panasonic's, but several technical differences mean all tape navigation formats are incompatible. If consumers change the brand of their VCR, they cannot use the existing tape navigation system on the new machine. Junichiro Kitagawa, manager of Panasonic's Video Europe Section, admits: "From a consumer's point of view, it would be better if all systems were compatible."



MANAGEMENT GLOBAL STRATEGY

Raising volume around the world

ITT is looking to service to retain a competitive edge, says Peter Marsh

One-stop shopping for banking products is all the rage, after the spate of mergers in the global financial services industry. Now the world's biggest pumpmaker is following the same strategy for the unglamorous devices that keep much of industry ticking over.

ITT Industries, the US industrial conglomerate with other interests in defence and car parts, has annual pump sales of some \$2.1bn, roughly 14 per cent of the world market. It leapfrogged up the world pumps league table a year ago through its \$815m acquisition of Goulds Pumps, a rival US producer.

Pump sales globally are growing slowly, with ITT and the other big makers, including Ebara of Japan, Grundfos of Denmark and KSB of Germany, finding that to keep a competitive edge they have to improve the basics such as service and response times.

ITT reckons that with the Goulds acquisition it has a broad range of 20 to 30 pump types, suited to industries from sludge works to paper processing. Each family of pumps may be made in hundreds of variations depending on customers' requirements.

Helping customers to gain access efficiently to this product range is an important goal of Richard Labrecque, president of ITT's pumps division. He is focusing on about 250 large global customers in fields such as chemicals, water treatment, engineering and energy.

The companies - accounting for a fifth of ITT's pump sales - have demanding requirements for pumps or pump parts that may need to

be shipped within days or hours of placing an order.

Within this group of customers is a "superleague" of about 30 companies including BASF, Dow Chemical, International Paper, Phillips Petroleum and Bechtel. ITT has special deals giving them a "premium service" in terms of gaining access to particular pumps.

In one scheme under development at ITT, special

'ITT is using IT techniques to turn these engineers into a "virtual" design group'

computer programs at a customer's premises will convert requirements for particular pump applications into a set of specifications to turn out the relevant pump components. The information will be sent by modem to an appropriate ITT plant, and activate machine tools to produce the parts in the configurations required to meet the customer's order.

This service should be available to at least some customers within the year, says Mr Labrecque. "We want to be able to react to customers' needs as quickly as possible, turning out parts in lot sizes (production runs) of as little as one."

The factories turning out the products using this system will mostly come from 17 or so ITT plants around the world, which the company is designating as global centres of excellence with responsibility for particular

pump types. Customers will receive pumps from specialist factories that could be halfway around the world, rather than from a closer plant that specialises in another pump variation.

ITT is spending \$160m in the next two years on new manufacturing systems at these plants, a job involving retraining workers to improve flexibility and encourage team working to improve response times.

The strategy of spreading around the world production of different product types might not make sense to a company operating in regional markets. But Mr Labrecque believes it is appropriate for a company with aspirations to grow in all parts of the world. About 85 per cent of ITT's pump sales are in North America and Europe, but the company is also looking to step up revenues from Asia and South America.

Another aspect of the company's aspirations to turn itself into a global force concerns its product development operations, involving 600 engineers in 20 locations around the world. ITT is using the latest information technology techniques to turn these engineers into a "virtual" design group.

This will work on projects almost continuously - teams of engineers in Asia, Europe and the US will hand over control of computer design terminals to colleagues in another continent at the end of each working day, as different global time zones open up for business. Mr Labrecque believes that as a result of computer "time sharing", plus the greater pooling of creative ideas using the new system, ITT's development costs could fall by as much as a quarter over the next few years.

how to spend it



smoke screens, vocal queens, stealing scenes

Brit-prop art and the new furniture high-fliers, the murky world of the bogus stogie, and why opera in the countryside could become a no-go aria. All in how to spend it colour magazine, free with the Weekend FT next Saturday.

Making strengths stronger.



We already have the edge. Now on the way to the No.1 position in Europe.

The company.

Mannesmann operates in Telecommunications, Engineering, Automotive and Tubes & Trading. All sectors are consistently managed with a value-driven approach. Our yardstick for measuring value creation, the return on gross operating assets, reached 10.3 per cent in 1997. We have committed ourselves to reach the 15 per cent mark in the year 2000. Our medium-term objective is to reach a 20 per cent return.

Telecommunications – growing across borders.

Thanks to D2, Arcor and our participations – Omnitel and Infostrada in Italy, and Cegetel in France – we're well on our way to becoming the leading private telecom provider in Europe. In digital mobile telecommunications, D2 is already market leader in Germany. Today, the Telecommunications segment generates the Group's biggest earnings contribution.

Your advantages.

With Arcor and D2 we aim to offer all the advantages of an integrated communications company and are already realizing marketing and cost synergies for the benefit of our customers. Arcor runs a high-performance, full coverage wireline network, reaching the heart of every city

In Germany. Building on the strength of D2, Mannesmann has consistently exploited the opportunities of today's Information Age. Our aim? To further sharpen our European edge.

Engineering – a top place in the world market.

With Mannesmann Demag, Mannesmann Dematic, Mannesmann Rexroth and Krauss-Maffei, we rank among the world's leading suppliers in mechanical engineering. Mannesmann Engineering is No.1 in hydraulics, material handling and plastics machinery. We aim to optimize our product portfolio to enhance profitability and secure future growth.

Automotive – making cars more intelligent.

VDO and Sachs are innovative partners to the automotive industry. Sachs ranks among the leading global suppliers of chassis and powertrain components and systems. VDO is internationally recognized as an expert in the fields of integrated electronic information and control systems. Through its acquisition of Philips Car Systems, VDO with its new Car Communication division is poised to become one of the world's premier providers of integrated information, navigation and traffic telematics systems. Seizing every opportunity to boost

current value, we aim to forge ahead with the internationalization of our Automotive sector and to strengthen our systems expertise.

Mannesmann's strengths.

- Strong commitment to value-driven management.
- Telecommunications:
 - German market leader in digital mobile telecommunications.
 - Leading private integrated provider in European telecommunications.
- Automotive and Engineering: Outstanding global position.

Tubes & Trading – effective partnership strategy.

The Tubes & Trading sector produces and markets steel tubes for every application. In order to bolster our market position and improve our cost base, we have been incorporating all major product areas into cooperative alliances since the early nineties. The latest and most significant step in this direction is our joint venture with the French group Vallourec for seamless tubes.

Mannesmann – working for your future.

<http://www.mannesmann.com>

mannesmann

Made with
fine wit and
mocking eye

We meet in the
illustrations and
and sketches of the
time – Vostok
November 2, 1997
Alle Theatren
best of all with
Mr. D. R.

SPONSORS

Summer's

INTERNET
Arts
Guide

AMSTERDAM

BRUNNEN

BRUNNEN

BRUNNEN

BRUNNEN

BRUNNEN

BRUNNEN

BRUNNEN

BRUNNEN

BRUNNEN

BRUNNEN

BRUNNEN

BRUNNEN

BRUNNEN

BRUNNEN

BRUNNEN

مكتبة الامم

THE ARTS

BALLET A TRIBUTE TO DAME NINETTE DE VALOIS

Made with a fine wit and mocking eye

Clement Crisp finds a piece of Royal Ballet history happily brought back to life in Birmingham

There is surely no better way of celebrating Dame Ninette de Valois' hundredth birthday than by the revival of her happiest ballet, *The Prospect Before Us*.

So tremendous thanks to David Bintley, who decided to acquire it for his Birmingham Royal Ballet, and no less gratitude to Jean Bedells whose prodigious memory and sense of style produced

We meet all the illustrious hoppers and skippers of the time - Vestris, Noverre, Didelot, Mile Theodore - but best of all we meet Mr. O'Reilly

the choreography (with a little help from friends who were with her in the original 1940 staging). And absolute admiration for everyone who restored the wonderful Roger Furse designs - which are "after" Rowlandson but have a splendid life of their own as decoration which brilliantly evokes the period of the 1780s.

De Valois made the ballet at a dark time for the company, which was destined to interminable wartime touring. Its gaiety seems to defy every difficulty. Its theme is the balletic misfortunes which, historically, affected two

London theatre managers, Mr Taylor and Mr O'Reilly, as their theatres perhaps obligingly burnt down. (Hence the subtitle, owed to Rowlandson who recorded some of the dance-life of his time, *Play the Poor Dancers*).

De Valois tells the story with a fine sense of drama, a sure feeling for 18th century dance, and a mocking eye. We meet all the most illustrious hoppers and skippers of the time - Vestris, Noverre, Didelot, Mile Theodore - but best of all we meet Mr O'Reilly.

The role was made for that consummate droll Robert Helpmann, who used to reduce us to hysterics with a roll of an eye or a scuttling walk. Throughout the war, he played Mr O'Reilly and was sublime, not least in the final drunken scene when, with every trick in the alcoholic joke-book (trying to catch his own toes was a favourite bit of foolery), he used to make the theatre howl with laughter.

Prospect might have been lost thereafter had not Dame Ninette revived the ballet for the young Sadler's Wells Theatre Ballet in 1951 and found, in Stanley Holden, a comedian as funny and resourceful as Helpmann. But after a few years merry existence, the piece fell from the repertory. Hence the importance of this present restoration by Jean Bedells, with David Bintley most skilfully patching together incidents where memories have faded.

What I saw on Wednesday night was, by and large, the dear ballet I loved 50 years ago, alive, well, excellently danced, honourably re-staged, and reminding a new public that Dame Ninette was not only a great director but also a very fine choreographer. Roles were well taken - and will be even better when BRB's artists get the feel of them in continued performance. (I thought



A sense of drama and a sure feel for 18th century dance: scene from 'The Prospect Before Us' with Michael O'Hare, centre

Joseph Chippa ideal as the arrogant Didelot.)

For Michael O'Hare as Mr O'Reilly every praise. The role is safe, and funny as ever. He plays its opening scenes more quietly than Helpmann (who could be sublimely naughty when the spirit moved him) but by the end, and especially in the last drunken sequences, he was ideally right. I laughed at O'Hare as memories of Helpmann and Holden flooded back, and knew that he was their equal.

I also rejoiced that an important piece of Royal Ballet history had been restored to happiest life. Much gratitude to everyone

concerned. (And as a note, let me record that Pamela May, the original Mile Theodore, was in the audience. I worshipped her in the role - so witty, so beautiful.) The William Boyce score, organised by Constant Lambert, that other architect of our national ballet, was as enchanting as ever.

This BRB triple bill is a homage to Dame Ninette. It began with a gentle account of Ashton's *Symphonic Variations*, which is the most serious declaration about what De Valois and Ashton saw as an English style of classic dancing. It concluded with a new work by David Bintley dedicated to Dame Ninette.

The Protecting Veil takes its title from John Taverer's score for cello and strings, which is a contemplation of the theological nature of the Blessed Virgin. It is music I find hard to like - the odour of sanctity turned to sanctimonious droning - but Bintley has discerned in it all the matter for a brave soliloquy about the Blessed Virgin's identity.

A bare stage backed by a gold-leaf screen, with a huge ladder skied above, from Ruari Murchison, and very effective. Five women in long red dresses. Five men in black tights. A white veil which will become garment, symbol of the child the

Virgin carries, protecting drapery, shroud for the crucified Christ.

Bintley deals with this profoundly moving and profoundly dangerous material with utmost discretion. His sense of theatre (stunning poses) brings vivid communication of ideas and emotion. The role of the Virgin is shared among the women. The men are her Son, angels, humanity itself.

The company dance with utmost sincerity and devotion. As an oblique tribute to the woman who gave us ballet in this country it is loving, and worthy.

POP GENESIS

When it all ended in pomp and tears

Forget disco, glam and sassiness: for many lovers of pop music, the 1970s marked the joyless nadir of the art form. With a purposeful swoop of the mellotron, the decade saw the spontaneity and exuberance of the classic pop song slowly driven away by a rampant herd of creatures who would come to be known as the pariahs of "progressive" rock.

Genesis, formed from a ramp of school chums from Charterhouse, were among the most illustrious predators. Serious, poised, literate, their ambitions were unbounded: twiddly time signatures, symbolist lyrics, long - so long - instrumental passages during which nothing happened.

Archive 1967-75 (Virgin) is a four-CD retrospective of the group's formation and early growth, and comes at a timely moment. British pop is already taking itself more seriously (Radiohead, The Verve) than it did only a couple of years ago. Will it once more end in pomp and tears?

What is sobering about the earliest material here - rough demos, many with just a piano and acoustic guitar accompaniment - is how early the tone of earnestness set in. The Beatles' *Anthology* project showed how the group's earliest sessions in Paul McCartney's front room were attempts to capture the thrust and urgency of American black music. There was a discernible organic link to rock-and-roll, and thence the blues.

But Genesis, doodling in their own front rooms less than a decade later, were already in their own, cold world. The most alarming song here is "Let Us Now Make Love", which sounds like a rallying call to Sunday School. How unsexed and sexless this music was, and would remain.

The later three CDs in the set are taken up by live performances. Here, to be fair, Genesis could be compelling. Peter Gabriel, whose voice was always more expressive than contemporaries such as Greg Lake and Jon Anderson, was also an instinctive showman. When the group found an inventive melody - "Selling England by the Pound" - they could be impressively taut.

And there is also something heroic about those audiences. Two entire CDs are taken up by a single, near-flawless, performance of *The Lamb Lies Down on Broadway* from Los Angeles in 1975. This concept work was, to quote the accompanying booklet, "a hymn to the integral innocence of the human spirit meeting the bacon slicer of a corruptive society", which is just what you need for a good night out.

Yet the audience loves it and there is something weirdly admirable about the epic intentions of the project. Pank rock, a savage stripping down of such pretensions, was round the corner, which gives this celebratory set a touching elegiac note.

The City of London festival can rely on a wide base of City companies, and has two principal backers. ABN Amro and the National Grid. Director Michael MacLeod's unique selling proposition is the venues he can offer: few companies can resist entertaining in the Mansion House, livery halls, or the Tower of London. This year he is mounting a more challenging programme, with a performance of Mussorgsky's "Pictures at an Exhibition" accompanied by images of the paintings that inspired the composer. Other eye-catching events are rush-hour concerts of all of Mozart's string quartets, and 18 free lunchtime performances subsidised by various foreign governments, with programmes including Inuit throat singers from Canada and Greenland's only professional theatre company.

Perhaps the most sensational sponsorship of the year bears fruit at the Tower of London from June 13. *Treasures of the Moscow Kremlin: Arsenal of the Russian Tsars* must be the first major sponsorship in the UK by a Russian company. Alexander Smolensky, who heads SBS/Agro, a Russian bank, is giving \$70,000 (£43,853) towards the cost.

Antony Thornicroft

Peter Aspdren

SPONSORSHIP THE FT/ABSA AWARDS

Summer's other competition hots up

Just over three weeks to go and the excitement is mounting. No, it is not the World Cup Final, but that equally competitive event, equally important to the contestants, the FT/ABSA awards for business and the arts. The winners will be announced at the Globe Theatre on June 26.

Winning an award matters. Many directors still need persuading that shareholders' money is being well spent when a company supports an arts organisation or underwrites an arts event. The awards are being re-appraised - by next year there will be fewer of them, with more emphasis on the role of business in helping to create new works.

This year's shortlist is the usual mix of companies with a fine track record, including BT, Manchester Airport, Bank of Scotland. There are also some fresher names, including companies which are at last taking the arts seriously such as Tesco, the supermarket chain. It was nominated in the access to the arts category for its £160,000 commitment to the Royal Scottish National Orchestra schools

concerts and to WNO touring. There are also companies which, with just £3,000 to commit, are finding that sponsoring the arts can give a better marketing return than conventional advertising. One company which has found this is the Fine Cheese

This year's shortlist is the usual mix of companies with a fine track record, but some fresher names have also been nominated to include companies which are at last taking the arts seriously

Co which backed a concert at the Bath Festival. It saw sales rise, and is nominated in the first-time sponsor category.

This sector always produces an interesting contest. The Fine Cheese Co is up against Edison Mission Energy, which put £150,000 towards providing its local Theatre Clwyd with a mobile touring theatre; and Misonco de Reya, the solicitors, which with £10,000 created the post of poet-in-residence to live up its offices.

Another keenly contested prize

is sponsorship by a small business, which sets Gro-Feeds, an animal foodstuffs supplier and a natural supporter of the Equilibre Horse Theatre, against Leonard Dews, a Blackpool jeweller who enabled the Ben Uri collection of Jewish art to visit the

emphasis on new creative work will not remove the prize for long-term sponsors. This year AT&T, which can look back on seven years of sturdy support for the Almeida Theatre, pitches against BP, which has backed new displays at the Tate for a

decade, and Brother International, which has helped the Halle for nine years.

When deciding to commit itself to the City of London Festival, the City Corporation hit on a great idea. It elected to give an index-linked £250,000 a year to the festival, provided it could raise a matching sum from sponsors. It has worked so well that this year the City is giving £286,000 while the festival has raised £400,000.

Sponsors love festivals - they

can cherry-pick from a wide range of events; they involve them with local communities; and the opportunities for entertaining clients are extensive. By the same token festivals love sponsors: festivals are not popular at present with the Arts Council and they need business support to survive.

This is particularly true of the two leading festivals in London, the BOC Covent Garden, which closes this weekend with performances of Music Theatre London's lively *Die Fledermaus* at the Arts, and the City of London, which opens on June 23 with Rachmaninov's *Vespers* at St Paul's Cathedral.

About two thirds of Covent Garden's £550,000 revenue comes from business help in cash and kind. BOC alone gives £200,000 while American Express puts up £50,000, and Guardian Insurance £40,000. Restaurantier Laurence Isaacson, who with business partner Neville Abraham, raises the money personally, believes that sponsors should receive value for money through corporate hospitality and advertising opportunities.

Sponsors love festivals - they

INTERNATIONAL

Arts Guide

AMSTERDAM

OPERA
Netherlands Opera, Het Muziektheater
Tel: 31-20-551 8911
Siegfried: by Wagner. New production conducted by Hartmut Haenchen in a staging by Pierre Audi; Jun 5, 6

BADEN-BADEN

OPERA
International Festival
Tel: 49-711-780 4166
The Royal Opera, Covent Garden: Die Agyptische Helena, by R. Strauss. Christian Thielemann conducts a production starring Deborah Voigt in the title role, with Reinhard Goebel and Lyuba Kazarnovskaya, on the opening night of the festival, in the new Festspielhaus; Jun 6

BERLIN

CONCERTS
Konzerthaus
Tel: 49-30-203090
● Berlin Symphony Orchestra: conducted by Wesseli Sinalski in

works by Stravinsky and Tchaikovsky; Jun 5, 6
● Deutsches Symphonie-Orchester Berlin: conducted by Vladimir Ashkenazy in a programme of works by Mozart. With flute soloist Martin-Ulrich Senn and harpist Nina Schlemmer; Jun 6

Philharmonie
Tel: 49-30-2548 6354
● Berlin Philharmonic Orchestra: conducted by Lorin Maazel in works by Mahler and Brahms. With cello soloist Rostropovich; Jun 5
● Berlin Philharmonic Orchestra: conducted by Lorin Maazel in works by Strauss and Wagner; Jun 9, 10, 11

DANCE
Deutsche Oper
Tel: 49-30-34384-01
La Sylphide: revival of a production designed by David Walker and directed by Peter Schaufuss, after August Bournonville; Jun 6

OPERA
Deutsche Oper
Tel: 49-30-34384-01
Manon: by Massenet. New production conducted by Jiri Kout in a staging by Cesare Lievi. With sets by Margherita Palli and costumes by Luigi Perego; Jun 7, 11

BOLOGNA

OPERA
Teatro Comunale
Tel: 39-51-529 999
www.netuno.it/bolteatrocomunale
Don Giovanni: by Mozart. New production conducted by Daniele

Gatti in a staging by Gianfranco de Boio, with designs by Pasquale Grossi; Jun 9, 11

CHICAGO

CONCERTS
Orchestra Hall
Tel: 1-312-294-3000
www.chicagosymphony.org
● Chicago Symphony Orchestra: conducted in works by Beethoven and R. Strauss by Daniel Barenboim, who also performs Piano Concerto No. 2 and 3. With soprano Jane Eaglen; Jun 5
● Chicago Symphony Orchestra: conducted in works by Beethoven and R. Strauss by Daniel Barenboim, who also performs Piano Concerto No. 5. With soprano Jane Eaglen; Jun 6

EXHIBITION
Art Institute of Chicago
Tel: 1-312-443 3600
www.artic.edu
Japan 2000: Design for the Japanese Public. Includes watches and bicycles. Kisho Kurokawa Gallery; from Jun 6 to Sep 7

FLORENCE

OPERA
Maggio Musicale Fiorentino
Tel: 39-55-211158
www.maggiomusicale.it
Wozzeck: by Berg. New production by William Friedkin, conducted by Zubin Mehta; Teatro Comunale; Jun 5, 8

GLYNDEBOURNE

OPERA
Glyndebourne Festival Opera

Tel: 44-1273-815 000
● Così Fan Tutti: by Mozart. New production by Graham Vick, conducted by Andrew Davis. Cast includes Alan Ope and Barbara Frittol. With the London Philharmonic Orchestra; Jun 6, 9
● Katya Kabanova: by Janáček. Revival of Nikolaus Lehnhoff's production, conducted by Yakov Kreizberg, with designs by Tobias Hochmair. Cast includes Amanda Rocco. With the London Philharmonic Orchestra; Jun 5, 7, 11

HELSINKI

OPERA
Finnish National Opera
Tel: 358-9-4030 2271
● Die Walküre: revival of last year's collaboration between Leif Segerstam and Götz Friedrich, with designs by Gottfried Pitz; Jun 11
● Siegfried: by Wagner. Conductor Leif Segerstam, director Götz Friedrich and designer Gottfried Pitz continue their collaboration on the Ring with this new production. The title role is sung by Stig Andersson; Jun 5, 8

LONDON

CONCERTS
Barbican Hall
Tel: 44-171-638 8891
London Symphony Orchestra: conducted by André Previn in works by Copland, Barber and Gershwin; Jun 7

Royal Festival Hall
Tel: 44-171-980 4242
Philharmonia Orchestra: conducted by Valery Gergiev in works by

Mussorgsky and Stravinsky; Jun 7

EXHIBITIONS
Royal Academy of Arts
Tel: 44-171-320 8000
Summer Exhibition: held every year since the Academy's foundation in 1768, the world's largest open exhibition displays work by established painters and sculptors alongside that of younger and less well known artists; to Aug 16

Tate Gallery
Tel: 44-171-887 8000
Lucian Freud: Some New Paintings. More than 20 recent works, many of them completed during the last year and never before publicly exhibited in Britain. Includes characteristic, large-scale studio nudes, and portraits of the artist's daughters; to Jul 26

OPERA
Barbican Theatre
Tel: 44-171-638 8891
L'Orfeo: by Monteverdi. American choreographer Trisha Brown makes her debut as an opera director with this production, which is designed by Roland Aeschlimann and conducted by René Jacobs; Jun 5, 6

English National Opera, London Coliseum
Tel: 44-171-632 8300
● Carmen: David Ritch and John La Bouchardière direct a revival of Jonathan Miller's production, conducted by Noel Davies. The title role is sung by Sally Burgess; Jun 5, 11
● Manon: by Massenet. New production by David McVicar, designed by Tanya McCallin. Flora

Mannion sings the title role and the conductor is Paul Daniel; Jun 6, 10

MANCHESTER

OPERA
Palace Theatre
Tel: 44-161-242 2503
Opera North: Joan of Arc, by Verdi. New production by Philip Prowse, conducted by Richard Farnes with a cast headed by Susannah Glenville and Arthur Davies; Jun 10

MILAN

OPERA
Teatro alla Scala
Tel: 39-2-88791
www.lascala.milano.it
Manon Lescaut: by Puccini. Production by Liliana Cavani conducted by Riccardo Muti; Jun 5, 8, 10, 11

MUNICH

CONCERT
Philharmonie Gasteig
Tel: 49-89-5481 8181
Munich Philharmonic Orchestra: in chamber music by Bartók, Haydn, Boccherini, Dragonetti, Rossini, Weber and Mozart; Jun 7

NEW YORK

EXHIBITION
Museum of Modern Art
Tel: 1-212-708 9480
www.moma.org
Bonnard (1867-1947): transferring from London's Tate Gallery, this major retrospective focuses on 100 works produced between the 1890s and 1940s. Includes landscapes, still lifes, a series of

nudes, and self-portraits; to Oct 1

PARIS

CONCERT
Théâtre des Champs Elysées
Tel: 33-1-4552 5050
Orchestre des Champs-Elysées: conducted by Philippe Herreweghe in works by Berlioz and Schumann; Jun 5

TOKYO

CONCERT
Suntory Hall
Tel: 81-3-3584 9999
New York Philharmonic: conducted by Kurt Masur in works by Copland and Tchaikovsky; Jun 8

TV AND RADIO

● WORLD SERVICE
BBC World Service radio for Europe can be received in western Europe on medium wave 648 kHz (453m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV
● CNN International
Monday to Friday, GMT:
06:30: Moneyline with Lou Dobbs
13:30: Business Asia
19:30: World Business Today
22:00: World Business Today Update

● Business/Market Reports:
05:07: 06:07: 07:07: 08:20: 09:20:
10:20: 11:20: 11:32: 12:20: 13:20:
14:20.

At 08:20 Tanya Beckett of FTTV reports live from LIFFE as the London market opens.

THE EC

C

By Richard

Economic

The Ba

UK cent

draw pr

cess co

interest

time in

The be

come su

bduce

over th

inflation

looking

ANAL

M:

as

By Rob

Economic

It is

inter

mone

to lift

tory!

We p

hawk

econ

be do

In

that

vote,

that

ident

ties

outl

rem:

Mer

depu

for r

at U

proo

-Th

tary

ngn

suff

in f

rest

the

exc

cou

T

dic

fro

cor

E

ac

an

=



PHILIP STEPHENS

Off-stage whisper

Blair is exploiting the EU presidency but will find it hard to make the UK's voice heard in Europe when his six months are up

To hold the presidency of the European Union is to play the role of the carnival queen. It promises glamour, glitter and, with luck, the occasional gaudy. There is six months too of free foreign travel. But we are talking style here not substance. And before long the diamond tiara must be passed on.

Tony Blair, though, will not enjoy stepping out of the limelight. During the past year, Britain's youthful prime minister has been Europe's showstopper. First came a crushing election victory and then, fortuitously, the chairmanship of the Union's council of ministers. And the peace settlement in Northern Ireland did no harm. Mr Blair has made the most of it. Now he must retire to the wings.

The prime minister takes his bow in 10 days time at the Cardiff summit. As always, the significance of the event will be exaggerated. The agenda - enlargement to the east, reform of the common agricultural policy, a shake-up of the Union's institutions - is weighty enough. But, with last month's launch of the single currency, Europe has had enough of decisions for now. Everything else must wait for the outcome of September's German elections. The Cardiff summit will make promises and, probably, set deadlines. But that's all.

Naturally Mr Blair would like something more. Last week he gathered together his European experts. He was looking for ideas on how to make the Union's byzantine institutions more comprehensible, and accessible, to the people they serve. A People's Europe, you might say.

It is tempting to poke fun at this latest effort to export New Labour image-making. Mr Blair, though, has a point. He is far from alone in grasping the fact that a Europe of the elites no longer fits the mood of the continent's peoples. It will not be long before the first row over interest rate policy in the euro zone makes that uncomfortably plain.

But this is long-range stuff. A more urgent task presents itself in London. Put crudely, Mr Blair has to develop a strategy that keeps Britain in the European game.

If he needed proof that he will pay a price for staying outside economic and monetary union it came last night with the first meeting of EuroK, the informal council of single currency finance ministers. Gordon Brown, the chancellor, was permitted a courtesy call on the proceedings. But British exclusion from the serious business of the grouping is a precursor of worse to come. How long, I wonder, will it be before Mr Blair joins Mr Brown outside the room as prime ministers and presidents of the euro group join their finance ministers in private deliberation?

The response from Whitehall to such observations is that Britain will not be outside Euro for long enough to make a difference. The consensus of the establishment is that the next election will be in the spring of 2001 and the promised referendum on the single currency will come soon thereafter.

It is no use protesting that Britain must first pass Mr Brown's five economic tests for participation. Politics will take precedence. I was reminded recently of how the chancellor's tests were compiled last autumn. After

badly mishandling the initial presentation, Mr Blair and Mr Brown spent a frantic weekend (the former happened to be in Edinburgh, the latter London) negotiating the text of the chancellor's statement to the House of Commons.

We might have assumed that Mr Brown's words were carefully tailored to the Treasury's analysis. In reality, the reverse was true. As the fables flew between the two men, the terms of the economic tests were constantly realigned to the politics of the statement.

So it is a fair guess that Mr Blair does indeed expect to join soon after the election. And that is certainly Mr Brown's objective. But the prime minister is not prepared to commit himself, even in private conversation. And a more accommodating stance from Rupert Murdoch's mass-market newspapers would not of itself guarantee that today's intention translates into tomorrow's reality. There is, for example, the not-so-small matter of sterling's performance during the next two or three years.

In any event, if the government is going to coax the electorate into giving up the pound, Mr Blair has to retain a profile in Europe. One of the more enduring reasons for popular scepticism about the Union has been the perception that Britain is a passive victim of decisions made in Brussels. Mr Blair needs to change that.

His problem is that there is precious room elsewhere for the government to play in Europe's first division. Its determination to preserve frontier controls has excluded Britain from the Schengen group. A love affair with Bill Clinton

seems to preclude enthusiasm for a serious European foreign and security policy. There is not much left.

As I understand it, two ideas are now being kicked around 10 Downing Street. The first is tactical. Enlargement is a British issue. Mr Blair should keep it in focus by proposing a short, and tightly drawn, intergovernmental conference early year.

The aim would be to clear away the institutional obstacles to the entry of the former communist states. That means a smaller Brussels Commission, more votes in the council for big countries (Britain included) and some extension of majority voting. Next summer's Cologne summit could be set as the deadline for agreement.

The second strand of thinking in Mr Blair's strategy is predicated on the assumption that Germany's opinion polls will be proved right and Gerhard Schröder will indeed replace Helmut Kohl as chancellor. Much has been made of the similarities between the SPD leader and Mr Blair. The British prime minister is to seize the opportunity to forge an Anglo-German relationship to rival the axis between Paris and Bonn.

There are unfortunate echoes here. It has been the broken dream of every British government in living memory to prise open the Franco-German alliance. Mr Blair should pay heed to past failures to comprehend the force of the history and emotion that bind these two nations.

And yet a victory for Mr Schröder might well mark a significant shift in the character of the Bonn government. A Germany led from the north would be more openly Atlanticist. A chancellor without personal memory of the war would not carry the guilt of his predecessors so astutely exploited in Paris.

Mr Blair should not delude himself. Outside the euro zone, the British prime minister will have to shout to be heard. If Mr Schröder wins, Europe will have a new star. In Mr Blair's place I would be booking my ticket to Bonn.

LETTERS TO THE EDITOR

ICC rules can help create order out of chaos in commerce on internet

From Mrs Maria Livanos Cattaui

Sir, Never a week passes without some authoritative forecast of vertiginous growth in commerce over the internet. Now Price Waterhouse is estimating that by 2002 the value of goods and services traded on the web will be \$349bn ("A two-speed digital economy takes shape", June 3).

These upbeat forecasts are being made in spite of the maze of often conflicting national regulations spread across all business sectors. But if e-commerce is to reach its full potential for business and consumers a start has to be made in creating order out of chaos.

The role of governments should not go beyond establishing an internationally consistent legislative and

institutional framework that leaves companies free to innovate and create trust in the electronic medium. Government policy should aim at encouraging the sanctity of contract, and protecting intellectual property.

Your editorial ("Crime on the line", June 1) rightly says that the internet must be regulated with a light touch by voluntary codes. This is entirely feasible. Voluntary rules drawn up by the International Chamber of Commerce have governed cross-border transactions for more than 70 years and are applied throughout the world. Now these rules are being adapted to the electronic age. ICC rules are already in place for ensuring trustworthy digital transactions and only last month

ICC introduced guidelines for ethical advertising on the internet. Model contract clauses for privacy protection are in the pipeline.

In cyberspace the consumer is king, choosing and comparing prices without the constraints of distance and free of the salesman's blandishments. Creating consumer confidence in transactions over the internet is just as important for business as it is for governments. This is a good reason why governments should feel comfortable about relying on business to regulate itself effectively.

Maria Livanos Cattaui, secretary-general, International Chamber of Commerce, 36 Cours Albert Ier, 75008 Paris, France

Unnerved by Yeltsin veto

From Mr David J. Daly

Sir, Your leader, "Russia's rouble crisis" (May 29), notes several important catalysts for the recent economic turmoil in Russia. These include the miners' strikes, the failed Rosneft privatisation and Yeltsin's government reshuffling. However, you neglect to mention what was perhaps the most damaging of the causes.

An examination of the Moscow Times index demonstrates that the recent decline in Russian equity prices began with a vengeance after May 8 when Boris Yeltsin was forced into signing a new law regulating the electricity provider Unified Energy Systems (UES). This law restricts foreign ownership in UES to 25 per cent of the shares while the existing foreign ownership is estimated to be 35 per cent to 30.5 per cent.

Without simultaneously appropriating funds for the buy-back of the surplus shares in foreign hands, the Russian Duma has again proved its institutional incompetence. Moreover, the ability of the Duma to muster sufficient votes to override Mr Yeltsin's original veto of this law is particularly unnerving for foreign shareholders.

David J. Daly, London School of Economics, 24 Summer Street, London SE1 8JA, UK

Action needed for workable CGT rules

From Mr Giles N. Wilson

Sir, As you report ("Tax planners demand year's delay in reforms", May 27), the UK capital gains tax rules have become much more complicated following the freezing of indexation relief and the introduction of taper relief instead in the Finance (No 2) Bill 1998.

However, these changes only affect individuals. Companies and their representatives have until June 30 to make representations to the Inland Revenue on the tax

rules they would like to see applied to any capital gains made by companies.

I hope that all finance directors and other interested parties have submitted representations on this specific topic, so that companies are not saddled with an unworkable set of new rules at the same time as self-assessment is introduced for corporation tax for accounting periods ending on or after July 1 1999.

I am concerned at the apparent lack of response to

the Inland Revenue's invitation to make representations on this topic. Representations should be made to the Inland Revenue, Company Tax Division, Somerset House, Strand, London WC2R 1LB.

Giles N. Wilson, chairman, tax technical committee, Croydon & District Society of Chartered Accountants, 7 Downs Way, Sanderstead, South Croydon CR2 0JB, UK

Analysis of emerging markets needs project finance perspective

From Mr M.B. Gerrard

Sir, The Lex column, in its analysis of the difficulties that are currently being experienced in various emerging markets, relies too much on a corporate finance perspective and too little on the experiences of the project finance world ("Emerg-

ing markets", June 4). An emerging market risk premium for investors is more easily justified where the investment may not be sold at the first sign of problems.

Sale may be precluded either because the shares are not listed on a stock

exchange, or loan covenants prevent it, or both, which is frequently the case in project financed deals.

While ease of exit may attract greater inflows of capital, the experience of project financed deals has been that a long-term commitment by lenders and

investors is required to see a project through the bad times, so that when good times return any risk premium has been earned.

M.B. Gerrard, 12 Erle Road, Wimbledon, London SW20 0BJ, UK

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers worldwide. Letters may be faxed to +44 171-873 6936 (ext 101), e-mail: letters.editor@ft.com. Published letters are also available on the FT web site: <http://www.ft.com>. Translations may be available for letters written in the main international languages. Fax 0171 873 6936. Letters should be typed and not hand written.

Pfizer forum

From Machine Age to Information Age: Healthcare in the 21st Century

BY HENRY A. MCKINSELL, Ph.D.

In this excerpt from a speech to the World Economic Forum, the president of Pfizer's worldwide pharmaceutical business outlines policies to bring healthcare systems into the information age.

Despite several decades of "reform", the healthcare systems of the industrialized world remain locked in a time warp. Most developed countries rely on healthcare financing systems established well before the spectacular advances in medical discovery and treatment that have characterized the end of this century. In the words of the German economist Wilfried Pöhl, we have machine age financing systems trying to cope with the demands of information age medicine.

To enter the information age, we need to change the way we think about healthcare. We must discard the idea that any increases in healthcare spending constitute a problem, even a "crisis." A simple comparison may help make this point. In the U.S., spending on information and communications technologies increased almost sixfold between 1988 and 1995, and passed healthcare spending in 1995, yet we do not speak of a "computer crisis" or a "mobile phone crisis." One reason is that we recognize that increased spending on these technologies has brought gains in quality of life, productivity and efficiency. Yet, we do not need mobile phones more than we need a cure for diabetes. The difference is that people, not governments, pay for their computers and software in a free market. Over a fairly short period, costs of these technologies have gone down, quality has been improved and access has increased. I predict we would see similar results in the healthcare sector, if more of a free market were allowed to exist.

What kinds of changes must we make to bring healthcare into the inform-

ation age? Certain features will be essential to all successful reform. First, a successful approach to healthcare reform must be systemic. It should not focus on individual elements of the healthcare system, such as physicians, hospitals, or drugs. In a properly functioning, market-driven system, expenditure will tend to flow to the more productive and efficient elements of healthcare. Successful reform therefore will take into account the power of market incentives.

Innovation is our only real hope of reducing healthcare costs, by lowering the cost of disease

However, it is not enough that healthcare policies be market-oriented. They must aim to make healthcare better, not just less expensive, and must reward innovation. One of the false assumptions that has stood in the way of successful reform is the view that innovation is the enemy of cost containment. In fact, innovation is our only real hope of reducing healthcare costs, by lowering the cost of disease. Of course, the most important case for innovation is that it is good for the patient. One of the key features of real healthcare reform must be patient empowerment. Healthcare systems should offer patients more choices, information, and responsibility. At the same time, they should enhance the ability of physicians to deliver the best care, and encourage true partnership between doctors and patients.

Of course, all patients must be able to enjoy the fruits of medical discovery. A safety net must be part of every health-

care system. And finally, policies should recognize that the healthcare sector contributes to overall economic growth and prosperity. Prosperous and growing economies will be better equipped to achieve universal access to high-quality healthcare, as well as to finance constant innovation. We should be willing to experiment with new models of healthcare finance that would encourage savings and investment, attract capital to the healthcare sector, and reward individuals for taking more responsibility for their own health. Machine age systems tend to lack such incentives. The information age will find them essential.

It is essential that we open our minds to new thinking and new approaches to healthcare, for it is critical that we get our policies right for the next century. In my view, the golden age of healthcare is yet to come. With the right policies, we can build innovative and productive healthcare systems for the information age, that will add to human health and wealth alike.

Henry A. McKinsell, Ph.D., is executive vice president, Pfizer Inc., and president, Pfizer Pharmaceuticals Group. This article is based on a talk Dr. McKinsell delivered at the World Economic Forum in Davos, Switzerland, on February 2, 1998. The full speech may be found on the World Wide Web at <http://www.pfizer.com/pfizer/policy21century.html>.

Pfizer Pharmaceuticals Inc. is a research-based pharmaceutical company. The company has a long history of innovation and is committed to the development of new drugs and medical technologies. Pfizer is a leader in the pharmaceutical industry and is committed to improving the health of people around the world.

Pfizer is a research-based pharmaceutical company. The company has a long history of innovation and is committed to the development of new drugs and medical technologies. Pfizer is a leader in the pharmaceutical industry and is committed to improving the health of people around the world.

Pfizer is a research-based pharmaceutical company. The company has a long history of innovation and is committed to the development of new drugs and medical technologies. Pfizer is a leader in the pharmaceutical industry and is committed to improving the health of people around the world.

New York's taxi service is notoriously bad. London's is widely admired. There is a way to make New York's more like London's: but it is not the one being pursued by Rudolph Giuliani, New York City's mayor.

The combative Mr Giuliani has prompted taxi strikes and demonstrations by imposing tough new regulations that will punish drivers more severely for bad driving and require owners to carry more insurance.

New Yorkers have given the mayor's action a cautious welcome, believing it will make taxis safer. In fact, it seems likely to do very little because Mr Giuliani has ducked the fundamental issue confronting the New York taxi service: the curse of the taxi medallion.

Each taxi displays its taxi-cab licence in the form of a medallion attached to the vehicle. The maximum number of taxicabs is fixed by law at 12,187. Since new medallions are rarely issued the only way to enter the taxicab business is by acquiring a medallion from an existing owner.

With scarcity driving prices, medallions are currently trading at up to \$250,000 apiece - equivalent to the cost of about 10 new taxis. This high cost, absent from the London system, absorbs such a large proportion of the fare that there is little left over for the driver. As a result, taxi-driving in New York has become a pitifully low-paid occupation appealing mainly to newly arrived immigrants desperate to get a first foot on the earnings ladder.

Catching a New York cab is an unpleasant experience. The typical driver is tired, bad-tempered and rude, speaks little English and has almost no knowledge of the city's geography.

Worse, the ride is frequently dangerous. Cabbies tend to drive at breakneck speed, violating traffic laws and intimidating other road users. Accidents are common, and rising at an alarming rate.

London has some bad taxi drivers too. But most speak fluent English and drive safely, and have an encyclopaedic knowledge of London's streets and noted addresses.

The reason for the difference is simple. In London, there is no limit on the number of taxis that can operate. Drivers are required to pass

Follow that London cab

Richard Tomkins says New York should reform its taxi system along British lines

SORRY - IT'S COSTING ME SO MUCH TO RENT THE CAB I CAN'T AFFORD TO STOP AND LET YOU OUT



health checks, a police driving test and, above all, the extraordinarily demanding Knowledge of London geography test, requiring up to three years of study.

Seven out of 10 people who set out to become London taxi drivers fail to make the grade. Those who succeed become members of a professional cartel and can look forward to an appropriate level of prosperity. Most cabbies are owner-drivers (unlike in New York) and

owners, paying up to \$103 per 12-hour shift, plus another \$15 for fuel. To stand any chance of clearing a profit, they have to drive fast and hard.

Typically, they work seven 12-hour shifts a week, suffering the low pay, high stress and gruelling hours only for as long as it takes to find a better job. It is hardly surprising that they are less than ideal chauffeurs.

Mr Giuliani's new regulations are intended to

improve driver discipline by increasing the penalties for rudeness and traffic violations, making it easier for cabbies to lose their driver's licences.

But since most drivers have no stake in the business and do not plan to stay in it long, revocation is not a very powerful threat.

A better way to improve the quality of New York's taxi service would be to set much higher entry standards for drivers and compensate them with a fare increase.

allowing them to drive sensibly and work fewer hours while enjoying a comfortable level of prosperity.

But as long as the medallion system survives, fare increases are futile as a means of raising drivers' earnings because the higher revenues eventually feed through into higher medallion prices and higher rental charges.

This benefits fleet owners instead of cabbies and puts medallions even further out of the reach of would-be owner-drivers.

If New York City is to have a taxi service that befits its size and stature it will have to do away with the medallion system altogether. This is not an easy matter because many existing medallion owners have borrowed against the security of their medallions and would be bankrupted if the medallions were suddenly abolished.

A creeping devaluation of the medallions could be achieved by gradually increasing the number in circulation. But a quicker and fairer option would be to buy out the medallions now, at the market price, that would total \$3bn.

This is no small sum, even for a city of New York's size: it is nearly a tenth of the annual budget. But the city could finance the buy-out through an issue of low-interest, tax-free municipal bonds, servicing the debt through a levy on taxi fares. A rough calculation suggests a 10-15 per cent fare increase, or a surcharge of 50 cents a ride, would do the trick.

New York's taxi service would be gradually transformed as a new cadre of proud, professional owner-drivers entered the business. Existing drivers would be better off, too: they would have the option of setting up their own or demanding lower rental charges from the fleet owners, who would come under pressure to share their gains from the \$3bn medallion buy-out.

Standards would rise as taxi driving became a decently remunerative profession instead of the last recourse of the desperate. New Yorkers would resent the fare increase but would see it as a small price to pay for a safer, more courteous ride. And however much some might regret it, Mr Giuliani would have taken another big stride towards his goal of civilising New York City.

مكتبة الامم المتحدة

صلى الله عليه وسلم

COMMENT & ANALYSIS

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700

Friday June 5 1998

Indonesian debt deal

The agreement to reschedule Indonesian private debt, announced yesterday, is good news because it provides a breathing space. This must now be used to push on with economic restructuring, stabilise the economy and ensure the transition to a legitimate, democratically elected government.

The deal on the \$80bn owed by the private sector will help Indonesia in three ways. It should restore trade finance; it will refinance short-term, inter-bank debt for up to four years, thereby removing the need to repay \$5bn this year; and it will assist companies currently prevented from servicing their foreign debts by the collapsed currency and collapsing economy.

What is more, all this has been achieved without undue involvement by the government. On the non-bank debt, the government has merely promised to provide foreign exchange at "the best real 30-day average market rate occurring from the date the programme becomes operational until June 30, 1999". The foreign debts of the banks are being assumed by the state, however. But this was, alas, a painful necessity – one that makes it essential to close unsound banks and recapitalise the remainder at once.

Yet the deal is not enough to stop the economy's collapse, let

alone secure recovery. The country's dire plight is similar to that of the worst hit transition economies. Some analysts are forecasting falls of 20 per cent in gross domestic product this year. Behind this lies the exchange rate tumble, which has pushed the annual rate of inflation to over 50 per cent.

Indonesia needs the government to make a credible transition to democratic elections, while pursuing structural economic reform. If there is to be the slightest chance of this happening, generous international support must be forthcoming, some of which will have to be used to cover the budget deficit. Moreover, the overhang of bad private debt will also have to be written down, quite soon, not just rescheduled. To fail to do this will be to repeat mistakes made in Latin America in the 1980s.

Indonesia's economy has suffered from a downward spiral of lost credibility, currency collapse and political turmoil that has at least removed Suharto. The debt deal should help restore confidence, but will not be enough, on its own. A smooth political transition and policy reform, underpinned by strong international support, are also required. Can all this be done? With vast difficulty. But there is no alternative to trying.

Costly calls

Fans of corporate longevity, take note. This week the world's oldest company, the Swedish paper maker Stora, announced a merger which valued it at \$5bn. The next day the US telephone equipment company Ciena registered its first dollar of revenue some 18 months ago.

The point of the comparison is not to disparage corporate veterans, nor yet the long-suffering paper industry. It is rather to illustrate the headlong race of value creation in what might be thought a relatively humdrum business: the upgrading of telephone networks for the digital age.

The reason is, of course, our old friend the internet. Ciena provides equipment to multiply the capacity of fibre optic lines, allowing them to handle voice, video and data simultaneously. So does DSC Communications, which yesterday agreed to be taken over by Alcatel Alsthom for a mere \$4.4bn.

At this point, it is tempting to recall a remark made last month by the portfolio investor Warren Buffett. Any exam for would-be investors, he said, should present candidates with the accounts of an internet company and ask for a valuation. Those providing an answer should be failed.

In this case, that would be a little unfair. Granted, DSC has a patchy record and is currently

loss-making. But companies such as it and Ciena are not really gambling on the internet. They are selling the phone companies the kit with which to operate cyberspace. If it all turns out an illusion, the losers will be the phone companies.

Some of this is already apparent. Sprint, the US long-distance phone company, said this week that it had spent \$2bn upgrading its networks, and that further spending will dent its earnings for the next three years. One of Sprint's main suppliers has been Ciena.

The transfer of value this implies is best illustrated by Lucent Technologies, the equipment business which AT&T spun off two years ago. At the outset, Lucent's market value was one fifth that of AT&T's. It is now the same. As it happens, AT&T said this week that nearly a quarter of its managers were to retire early as a cost-cutting measure.

All this is another reason for being relaxed about mega-mergers among the big old phone companies, in the US or anywhere else. The function of the basic carrier is not only a commodity, it is an increasingly expensive one to provide. In the long run, letting the phone companies get together may be price of retaining the service. Mega-mergers among the equipment makers, of course, would be a very different story.

UK rate change

After five months of dithering, the Bank of England's monetary policy committee yesterday did what it should have done in January – or earlier.

Its decision to raise its interest rate by 0.25 percentage points to 7.5 per cent broke at least one of its own rules: that rate changes should cause no surprises. After five meetings in which the argument for raising rates had been lost by narrow margins, the markets were starting to believe the UK had reached the top of its interest rate cycle. The growth in national output appears to be slowing. Monetary growth has decelerated, and surveys indicate a marked falling off in export orders in response to sterling's strength. Three month interbank rates had fallen from a peak of 7.75 per cent at the end of last year to a little over 7.4 per cent.

So what has changed the Bank's mind? Well, for one thing the MPC has gained a new member. It is a fair bet that Professor John Vickers joined the camp of the hawkish economists who wanted a rate rise. Whether Eddie George, the governor, has also been won over remains to be seen. If not, he will have been in the awkward position of being over-ruled by his own committee. Of course, the MPC's economic analysis is more important than its internal politics, but the recent split shows the danger that it will do too little too late. The "doves" on the committee have pointed to uncertainties in

the economic data, to the destabilising effect of having to reverse a rate rise rapidly, and even to the temporary boost that a rise would give to headline inflation.

These were poor arguments for delay. Reading the economic runes will always be difficult. But, as the UK's dismal monetary history suggests, when corrective action is delayed much more damaging remedies may be needed later.

The MPC said yesterday that the acceleration of private sector earnings and the recent decline of sterling (down nearly 5 per cent from its April peak) had helped it to change its mind. It may also be considering the inflationary impact of a new minimum wage. But these dangers were foreseen in a general way, in January, when there were clear signs of domestic overheating.

Prompt action was then proposed and should have been taken. But the significance of delay must not be exaggerated. UK interest rates probably are near their peak, which is less than half the rate in 1980. The effect of a quarter point change on the real economy may not be large in itself. The significance of yesterday's rise may rather be as a signal to sceptics that the MPC will not relax until it is quite sure that inflation stay within its 2.5 per cent limit.

That signal was in danger of being obscured. The Bank must keep it flying.

Kohl's crusade fluffs his lines

Otto Hauser, the combative Christian Democratic MP appointed German government spokesman last month, is rapidly turning into a liability for his boss, Chancellor Helmut Kohl, tried to sharpen the government's tired profile ahead of federal elections on September 27, the spin doctor seems intent on alienating voters.

This week he blurted out eastern Germans that, if they went on voting for extremist parties, their richer western compatriots could grow weary of providing massive levels of economic help.

This sort of thing is muttered around dinner tables in the prosperous west but stating it on behalf of the government isn't shrewd politics. Apart from the need to show solidarity across the nation, Kohl has made rebuilding the east a main election pledge.

Among noises put out of joint were those belonging to members of the Free Democratic Party, the junior member of Kohl's coalition, which is battling for survival in the east. At the government's press conference this week, Hauser showed little inclination to calm the waters. Worse, he merely contradicted the policy of foreign minister Klaus Kinkel – an FDP member – on the Czech Republic's application to join the European Union.

It's only four months until polling day, but Germans are beginning to

wonder whether Kohl's new spin doctor will last that long.

Taking stock

There are two hot topics of debate on Wall Street these days. One is whether the stock market is in the early stages of a sizeable correction; the other is whether investment banking powerhouse Goldman Sachs will abandon its long-cherished partnership status by issuing stock in the public market. The issue will be debated at a partners' meeting next week.

The two questions, it turns out, may not be unconnected. Musing over whether the lure of high stock market valuations will prove too strong for Goldman's trustingly ambitious partners, one Wall Street headhunter told Observer: "If Goldman goes public, I'm selling my stock portfolio."

His logic is compelling. If the folks at Goldman decide to cash in at what they think is the top of the market, perhaps lesser mortals should think about doing the same.

Tourist trap

Colombian President Ernesto Samper might be forgiven if he takes time off from his working trip to New York next week to do a spot of sightseeing. It's probably his last chance to see Staten Island or the view from the top of the Empire State building.

Samper has only three months left in the Maricao palace and when his term expires, so does the

diplomatic visa which enables him to enter the US as a head of state. US authorities stripped him of his tourist visa two years ago following allegations that the tubby president eased his way to power with generous aid from Colombia's Cali drug cartel. Evidence from Colombia's public prosecutor suggests that Samper's 1994 presidential campaign received up to \$8m in narcotics money.

The loss of his visa hasn't cramped his style – the diplomatic papers have seen Samper through lots of trips to the US in his four years in office and he didn't seem to mind that Uncle Sam wasn't in a hurry to roll out a red carpet.

Observer hopes Samper's sidekicks will do a better job of security on the presidential plane than they did in September 1996, when police on the tarmac at Bogota found 3.7kg of heroin stashed in the nose cone. Then – as now – el presidente was heading for a United Nations conference on, yes, drugs.

Reeling

César, the artist who gave his name to France's most prestigious film award, yesterday gained a whole new audience. The man best known for his "compression sculptures" – with crushed cars and other objects piled on top of each other – was formally placed under investigation by a magistrate for expending a bill.

He is accused of overcharging after demanding FF3.2m from a

development company for a 10-tonne sculpture called Man of the Future – it was installed in Lyon in 1992. He had initially asked for FF2.5m but allegedly then provided, free of charge, two other works to the individual who ordered the piece. His lawyer insists that the deal was properly done.

The city of Lyon was keen enough on the sculpture to demand ownership after the company went bust but a court ordered that it be sold to pay the company's debts. The city might be in luck – no buyer has yet come forward.

Translation

If you want to know what's going on in the European Union, ask the interpreters.

For five tortuous months, the British presidency has been trying to broker agreement on an EU statute to allow companies to operate across borders more efficiently. Given the EU's penchant for last-minute negotiations, any deal was likely to involve social affairs ministers haggling long into last night at their quarterly meeting.

Interpreters knew the game was up when the UK informed them earlier this week that their late night services would not be needed. It's 28 years since the EU started talking about the company statute – and it looks like keeping the interpreters busy for a few more years yet.

OBSERVER

US regulation: the sequel

US Republicans are trying to promote bipartisan support for deregulation. But, says Mark Suzman, the Clinton administration has shifted the debate about big government

It's back. Like a low-key sequel to a failed summer blockbuster, the issue that led to one of the most damaging defeats of the Republican revolution in 1995 has crept almost unnoticed on to this year's US Congressional agenda. And this time its supporters hope the new stealthy approach has a chance of succeeding where head-to-head confrontation failed. Call it Regulatory Reform II: The Kinder, Gentler Option.

The Republican-led bill, which this time has some Democrat support, would do little more than require that government agencies subject regulations costing more than \$100m to peer review and cost-benefit analyses. Unlike its 1995 predecessor, it does not mandate that the cheapest or most efficient option be used.

"It's really quite modest," says one congressional aide who has been working on the issue. "All it's trying to do is make the whole regulatory system more transparent."

It is stark contrast to the original strategy. Three years ago, the Republican-led House government agency bureaucrats to the Gestapo. Its troops marched into legislative battle promising to overthrow the regulatory despotism they claimed were choking the economy. But the campaign backfired, their flagship proposal for comprehensive reform was defeated and the whole affair proved a public relations disaster.

Since then, the debate on regulation has moved in the opposite direction. Last month's decision by the Justice Department to take on Microsoft for allegedly exploiting its monopoly was just the latest example. Rather than continuing to shrink government, the Clinton administration appears to have decided that there are legitimate areas where it can reassert itself in the public interest.

What is striking about the new aggressiveness on the regulatory front is that it is generally cast explicitly in terms of defending individuals as consumers or citizens rather than simply controlling markets. This was particularly evident in last year's decision by the White House to back new air pollution controls by the Environmental Protection Agency in spite of strong opposition by business.

Democrats have also skillfully added a new argument by casting the regulatory debate as a question of protecting children from harm. There is evidence for the success of this tactic in swaying things from airbags in cars, to backing for government oversight of sex and violence on television.

This has been most dramatically illustrated in the ongoing campaign over possible tobacco legislation. A big attraction to the White House of the proposed \$516m settlement is the extra authority it grants the Food and Drug Administration and the revenue it brings in for new programmes. But President Bill Clinton has been careful to portray the issue as primarily about protecting vulnerable teenagers from the predations of tobacco companies – a move that has been highly successful in neutralising Republican opposition.

"Once the White House gives any regulatory topic the children label, it automatically grabs the moral high ground," says Karen Kerrigan, president of the Small



Business Survival Committee, a group representing 40,000 small businesses.

"It makes it very difficult for us to go on the offensive [on regulatory reform]."

Given such a backdrop, it is not surprising that those supporting the new deregulation bill are stressing co-operation rather than confrontation. They are backing deliberately moderate proposals in the hope of winning allies, rather than trying to crush all opposition. Yet in spite of the conciliatory approach – and the fact that the principle of regulatory reform now has fairly broad, bipartisan support – its prospects for passage still look shaky at best.

To understand why, one needs to ask why the Republicans were unable to push through their anti-regulatory agenda in 1995. Then, emboldened by the popularity of industrial deregulation in the Reagan era, the party failed to grasp the public mood: whatever the hostility to big government, Americans are still broadly suspicious of big business as well. They regard some regulation as necessary to rein in unscrupulous companies.

Exploiting these perceptions,

Democrats were able to portray Republicans as bomb-throwers trying to circumvent broadly popular laws on issues such as providing clean water and protecting the environment. The issue hurt the party badly in the 1996 election.

"Republicans came across as wanting to dismantle the entire regulatory system, which the vot-

'Once the White House gives any regulatory topic the children label, it grabs the moral high ground'

ers hated, and they're still trying to recover from that," says Angela Antonelli, an analyst at Heritage Foundation, the conservative think-tank.

"They completely failed to discuss the complexities of regulation in a way that would allow people to understand its costs in the

same way they understand how much income tax is taken out of their pay cheque."

This failure to persuade the public of the benefits of deregulation is a conundrum that baffles and frustrates the US business community. Why has a country that constantly demands further deregulation from overseas competitors been unable to get support for reforms to eliminate inefficiencies in its own regulatory system?

The answer lies in a change in the nature of US regulatory policy that has occurred over the past two decades, producing a subtle shift in public expectations about government's role in the marketplace.

Although the total cost of complying with regulation as a proportion of US gross domestic product has been constant at about 8 per cent for decades, its composition has altered significantly. While the number of industrial regulations has been cut, those covering social areas have risen.

According to a study by Thomas Hopkins, a professor at the Rochester Institute of Technology, social regulations such as health and environmental legisla-

tion, made up just 12 per cent of regulatory costs in 1977. By 1997, the picture had changed completely: the proportion of social regulations had risen to 34.5 per cent, while economic regulations amounted to only 32.5 per cent, half their previous level.

One reason for these changes has been the steady dismantling of industrial restrictions. From airlines to telecommunications, sector after sector has been deregulated over the past 20 years, with broadly beneficial economic results. It also reflects the fact that the number of social regulations has risen dramatically.

The causes behind the sharp increase are complex. Many regulatory agencies are empowered to issue their own directives without regard to cost if they affect issues such as public health.

Just as important have been the budgetary constraints imposed by the high budget deficit on the Democratic-controlled Congress of the late 1980s and early 1990s. Unable to pursue traditional pork-barrel politics, lawmakers sought to curry favour with voters and with important lobby groups by passing "unfunded mandates". These are laws that require the implementation of measures such as the protection of wildlife but do not need upfront budget outlays.

Many of these new rules are outdated, inefficient or both say business critics. Nearly half of all new social regulations between 1982 and 1996 are believed to generate costs in excess of their benefits.

"Passing new [social] regulations became a relatively painless way for Congress to persuade voters that they were doing something useful when they didn't have the money to do much else," observes Pietro Nivola, an analyst at Brookings, an independent think-tank. "But that led to a lot of unnecessary, very aggressive and expensive rules that are now in serious need of reform."

Hence the new push for a second wave of deregulation. But, in spite of the fact that the new reform proposals are deliberately low key and targeted at winning support from moderate Democrats, they have once again roused shouts of protest. Consumer and environmental groups warn this proposal would act as a Trojan horse for dismantling the social regulatory system. At the same time, its moderation has alienated some Republicans who are reluctant to settle for anything short of full-blown reform.

Although the bill passed through committee relatively easily, its supporters are now acknowledging it will be difficult to push it further. Partly because of political infighting between Republicans, it remains unclear when – or even if – it will come to a full vote on the Senate floor. Likewise, there seems to be little appetite in the House of Representatives for tackling such a controversial issue in a congressional election year.

That has left frustrated reformers increasingly resigned to waiting for at least one more sequel before they push through more deregulation. Says Ms Kerrigan, with resignation: "There's probably never going to be substantive regulatory reform until there are true believers in both the White House and Congress."

Financial Times 50 years ago

Cuts in Marshall Aid Washington, June 4. A strong group of Republicans to-day joined Democrats in the United States House of Representatives in deciding to fight cuts in the Foreign Aid Appropriations Bill. Mr. Everett Dirksen (Republican, Illinois) said he would offer amendments to restore the appropriation committee's cuts. He said a "substantial bloc" of Republicans has agreed to support him. Congressman John Taber, Chairman of the Appropriations Committee and chief instigator of the cuts, asked the House: "Is the American taxpayer to be expected to finance a new world-wide design for living?" Mr. Taber said aid was proposed for Eire, Belgium, Denmark and Iceland "at a time when any one of these nations could go to a bank and secure a loan."

Canada's Cotton Supply Ottawa, June 4. Canada's cotton supply this year is estimated at 22 per cent below that of 1947, but 25 per cent above the 1935-39 average, Mr. Griffin, secretary of the War-Time Prices and Trade Board informed the Parliamentary Price Probe Committee which is now investigating the textile industry. Cotton imports from the U.S., he explained, were down sharply as a result of import restrictions.

صباحنا من الامم

ES
reaches deal
foreign bank

brother
PRINTERS
FAX MACHINES

FINANCIAL TIMES
COMPANIES & MARKETS

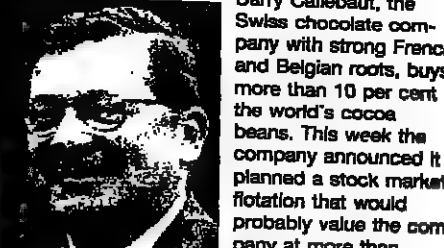
FRIDAY JUNE 5 1998

VIAG. Creating enduring value.
Order our information package:
Fax +49 89 1254 4491
www.viag.com
VIAG

INSIDE

Mannesmann to focus on telecoms
Mannesmann, the German industrial group, is shifting its focus to telecommunications. Its aim of building a telecoms service that can capture trade across Europe would pitch it against British Telecommunications, the Unisource alliance and the French and German national carriers. Page 21

Chocolate maker confident of growth



Barry Callebaut, the Swiss chocolate company with strong French and Belgian roots, buys more than 10 per cent of the world's cocoa beans. This week the company announced it planned a stock market flotation that would probably value the company at more than \$1.5bn (\$1bn). Pierre Vernant (above), Barry Callebaut's chairman, believes the company can grow faster than the industry average of 3 per cent a year. Page 20

HK sees exodus of retail investors

The cocktail of falling markets and weakening credibility is proving deadly for Hong Kong's stockbrokers. Retail investors are queuing to retrieve their share certificates or marching the streets to demand compensation following the collapse of a handful of brokerages. Page 23

Vinacool faces struggle for position

Vinacool, Vietnam's state-owned coal group, has pushed coal production up sharply. Last year, it exported 3.6m tonnes of anthracite coal, about a third of the total world seaborne market. However, foreign coal industry executives say it will struggle to sustain the level of exports. Page 28

UK plans second student loan issue

NM Rothschild & Sons is to advise the UK government on its second sale of student loan debt to the private sector, involving at least £1bn (\$1.64bn) in loans under management. Page 26

Sanctions fears unsettle Karachi

The erratic movement on Karachi's stock market reflected worries about long-term prospects as the country braces itself for economic hardship in the wake of the Asian nuclear crisis. The KSE-100 index closed down 14.85 at 1,044.44. Earlier, a surge took the index to 1,128.98 or almost 70 up from the opening levels. Page 38

Rate and debt news hits bourses

News ranging from an Indonesian debt deal to interest rate changes in the UK, Sweden and South Africa left Asian markets mixed, while most European bourses finished lower. Page 38

Taipei electronics lose spark

Heavy selling in electronics shares depressed Taipei 2.8 per cent. The weighted index fell 217.24 to 7,425.96 after Wednesday's losses on Wall Street, especially on the Nasdaq, triggered profit-taking in the high-technology sector. Page 36

COMPANIES IN THIS ISSUE

34	Hardy Oil	24	
ABN Amro	18,20	ICI	24
AGF	20	Imatran Voima	20
Air France	2	KBC Bank	20
Alcatel	19	LucasVarity	24
Allianz	20	Lukoil	20
Allied Group	19	Mannesmann	21
Alphatec Electronics	23	Mediocredito	20
Amec	20	Merck	18
Astra	1, 18	Merrill Lynch	22
Axel Springer	21	Microsoft	22
BCCI	6	Mirator Group	21
BOI	20	Monument Oil	6
BMW	1	Moulinex	20
BT	1	Nationwide Insurance	18
Banco di Roma	20	Nestle	20
Bary Callebaut	20	Natascap	22
Berliner Bank	20	New Holland	20
Bizon	21	Nissan	10,22
Boots	24	PNB	25
Bocsa-Alen & Hamron	22	Pathé	3
CCL Oil	2	Peregrine	10
CIBC	25	Phatra Thanalet	22
Continental Airlines	2	Pikington	10
Coworth	1	RZB	21
CSO Communications	10	Rolls-Royce Motors	1
Daily Mail	24	Shell Oil	22
Delta Air	2	Southern Electric	24
Deutsche Bank	21	Statol	22
Draco Oil	5	Swisscom	20
Dresser Industries	22	Telefonica	20
Expro Americas	22	Thai Farmers Bank	22
Fortis	18,20	Triton Energy	22
Generale de Banque	18,20	UFI	3
Halliburton	22	Vickers	1
		Volkswagen	1

CROSSWORD, Page 28

MARKET STATISTICS

Financial reports club	32,33	Emerging Market bonds	28
Bankmark Govt bonds	26	FTSE Actuaries share indices	34
Bank futures and options	26	Foreign exchange	27
Commodity prices	26	Oil prices	26
Dividends announced, UK	27	London share service	32,33
Share prices	27	Managed funds service	28-31
FTSE 100 index	27	Money markets	27
FTSE 250 index	27	New int bond issues	34
FTSE 100 World index	27	Recent issues, UK	34
FTSE 100 Minus index	27	Short-term int rates	27
		Stock markets at a glance	37
		US interest rates	27
		World stock markets	36

Alcatel buys DSC for \$4.4bn

Share deal will expand French group's role in US telecoms equipment market

By David Owen in Paris and William Lewis in New York
Alcatel of France is take over DSC Communications, the US telecommunications equipment company, in the latest example of consolidation in the sector.
The stock-for-stock transaction, which had an implied value of \$4.4bn based on the closing price of Alcatel American Depositary Shares on Wednesday, will significantly expand the French group's presence in the US telecoms equipment market.
It came just a day after Telabs, a fast-growing US telecoms equipment company, announced a \$7bn acquisition of rival Ciena, a six-year-old company that came to the stock market last year. Analysts expect more deals in the sector, which is fast becoming dominated by large players such as Lucent Technologies and Northern Telecom. "The consolidation on the telecoms equipment side is a mirror of that among the operators," said Douglas Smith, technology analyst with Salomon Smith Barney in London.
Under the terms of yesterday's deal, which has been approved by the boards of both companies, DSC shareholders are to receive 0.815 of an Alcatel ADS, representing 0.163 of the company's ordinary shares, for each outstanding DSC share. Analysts applauded the deal on strategic grounds, but indicated they thought Alcatel, which is emerging strongly after a period of heavy restructuring, may have paid a high price.
These sentiments were reflected in the respective movements of the two companies' shares. In morning trading on Wall Street, DSC's share price rose 40 per cent, or 77¢, to \$2.77. Alcatel shares, by contrast, fell \$1.24, or 9.6 per cent, to \$11.78.
James Donald, chairman and chief executive officer of DSC, which has long been considered a takeover candidate, said the transaction provided increased value to the Dallas-based group's shareholders.
Following the transaction, Alcatel plans to merge DSC, which achieved 1997 revenues of about \$1.6bn, into its existing US telecoms equipment operation primarily conducted through its subsidiary, Alcatel Network Systems. It expects the deal to close in about four months. The companies expect annual savings of some \$20m, with a full-year impact in 2000.
DSC was advised by Goldman Sachs and Alcatel by Lehman Brothers.

Nissan to cut US output and curb exports

By Michio Nakamoto in Tokyo and Haig Simonian in London

Nissan, Japan's second largest carmaker, is halting production in the US on 24 days this year. It is also curbing exports from Japan to reduce mounting US inventories and bring costs under control.

The cuts will reduce the company's output of vehicles from its plant at Smyrna in Tennessee by 25 per cent to 300,000 this year. The plant, which has annual capacity of 400,000 units, produced 388,000 vehicles last year.

The reduction will be achieved without layoffs by stopping production at the plant on 24 Fridays until next March. Exports from Japan to the US will also be cut, although Nissan did not specify by how much.

Nissan hopes the cuts will reduce its inventory to three months, or 170,000 units, by the end of September compared with 5.2 months, or 270,000 vehicles, at the end of March.

The measures highlight the problems in Nissan's second highest market where sales fell 11 per cent in May.

Last month, the company revealed a wide-ranging restructuring plan after announcing a \$1.4bn (\$101m) consolidated net loss. The company's US sales contrasts sharply with the fortunes of Toyota and Honda, which have both enjoyed success in the US market.

Nissan's exposure to leasing was also much higher than the industry's average, according to Morgan Stanley Dean Witter in Tokyo. Nissan's US sales have also been damped by the company's cutbacks on incentives to dealers. It has placed too much emphasis on conventional sedans for which demand is shrinking. Sales of the mid-sized Sentra, Invivo, fallen, while the newer Altima has not been as successful as hoped.

The company has been disadvantaged by its lack of a lightweight sports utility or a big pick-up truck - two growing segments of the market. Production of a four-wheel-drive model will be introduced at Smyrna only after Sentra output is shifted to Mexico.

Pikington hit hard by restructuring

Leading glass manufacturer's shares fall 5% as one-off £225m cost-cutting charge triggers £100m loss

By Jonathan Squire in London
Pikington, the world's biggest glass manufacturer, has made a pre-tax loss of £100m (£64m) as a result of a wide-ranging restructuring launched last year by Paolo Scaroni, the chief executive appointed to restore its fortunes.
The UK company is struggling to boost efficiency to the same levels as foreign rivals, such as PPG of the US and Saint Gobain of France, against a background of fierce price competition.
The loss was triggered by a one-off charge for cost-cutting of £225m, £30m higher than expected. Last time, it made a profit of £77m. Sales dropped from £3bn to £2.9bn. The shares fell 6 per cent to 136p in response, and on gloomy forecasts from analysts of weakness in glass prices and potential for further restructuring at Pikington.
Kevin Connolly, a building materials analyst at Merrill Lynch, said: "Pikington is making adequate progress in retreating back costs, but there seems to be little in the trading environment to generate enthusiasm. There may even be a deterioration in the US."
Mr Scaroni said the scale of the restructuring charge reflected his decision to cut staff numbers over the two years to March 31 1999 by 1,600 more than the 8,000 originally envisaged. By December, he said, the company will have closed, sold or merged 70 processing and distribution outlets in Europe, including half those in the UK and most in Germany. He said the company would save £100m a year as a result of the shake-up.
The strong pound shaved £33m from underlying pre-tax profits of £128m in the year to March 31. The figure was some £13m higher than forecasts thanks to the inclusion for the first time of profits from associate companies. Dividends for the year were held at 6p.
Mr Scaroni is reorganising Pikington along product rather than geographic lines. "We are in the process of transforming it into one company from a quasi-investment trust controlling many glass businesses around the world," he said.
The three divisions into which he has divided Pikington grappled with production problems and falling glass prices around the world last year. The car windows arm was worst hit. Its contribution to group operating profits of £191m dropped 38 per cent to £56m.
The company said yesterday it would switch part of its car window production for General Motors, an important US customer, to Vitro Plan, the Mexican glass maker in which it has a 36 per cent stake.
This prompted speculation that Pikington will have to fulfil a growing proportion of US orders from Mexico to keep prices low. Analysts said this could force the company to absorb heavy costs for cutting capacity within the US.
Operating profits from the core building glass division edged up 18 per cent to £38m. Prices fell 10 per cent in the UK but were stable in continental Europe.



Looking grim: Pikington's chief executive Paolo Scaroni announcing losses due to redundancies and plant closures. Picture: Fergus Wilson

Exposure of Peregrine creditors said to be \$3bn

By Louise Lucas in Hong Kong
The exposure of creditors to Peregrine, the failed Asian investment bank, is estimated at some US\$3bn, three times the level originally envisaged by the market.
The figure emerged as liquidators prepared to meet creditors next week to detail some of the liabilities and the amount of assets recovered so far.
Colin Bird, a senior partner at Price Waterhouse and one of the provisional liquidators, said: "Based on indications we have got so far, I believe that the aggregate creditor total for the group will approximate \$3bn." This is the total figure understood to be claimed by creditors for all 200 companies within the Peregrine group.
An interim payment to creditors, ranging from big international banks to local retail investors, is expected within a year. But it is likely the pace of asset recovery will slow as creditors are unlikely to want to sell remaining assets held by Peregrine in the current poor markets. The amount retrieved for creditors therefore could be considerably less than \$3bn.
Funds recovered so far - the "easy money" from highly-rated counterparties - amount to some hundreds of millions of US dollars, according to Mr Bird.
Peregrine, which employed 1,700 people, was forced to close in January after the collapse of rescue talks with the Zurich Group of Switzerland. The Swiss financial services company pulled out of a \$200m capital injection after it emerged that Peregrine was owed more than \$200m by Steady Safe, an Indonesian taxi and bus company linked to the Suharto family.
The subsequent liquidation is expected to be time-consuming, because of inter-company deals and the vast numbers of contracts held with different banks and corporates.
"There are a lot of inter-company liabilities, so you end up with a very big spaghetti of who owns what around 500 companies. Until you've sorted that out, you cannot 'upstream' to where the creditors are," said Mr Bird.
Creditors' meetings begin on Wednesday, when the provisional liquidators will address creditors of Peregrine Derivatives. Individual creditors will be given a range of indication of how much they could expect to recoup of their liabilities. This is unlikely to be made public.
"I would hope creditors come away at the very least with a feel of how big the hole is for them," said Mr Bird.
Future strategies for recovering funds will be mapped out by a team of creditors' representatives and the liquidators appointed at that stage.
This team will decide, among other things, whether to sell assets at current prices and what other action to take, if any, such as issuing writs against third parties or directors.

Nationwide agrees to buy Allied Group for \$1.7bn

By John Authors in New York
Nationwide Insurance Enterprise, the Ohio-based mutual insurance group, yesterday announced it had reached an agreement to buy Allied Group, the Iowa-based insurer, concluding its highly unusual unsolicited tender offer for the company.
It is the first successful hostile bid for a US general insurer since Farmers was bought by BAT of the UK 10 years ago. It is also the largest hostile takeover made by a US mutual company.
The deal suggested there could be an increase in the pace of consolidation in the US insurance industry, which has been troubled by slow revenue growth in recent years. Hostile bids are very difficult in the insurance sector because of the industry's regulatory framework, which includes separate insurance commissioners in each state.
Nationwide is the fourth largest property and casualty insurer in the US and one of the largest mutuals. It has consistently said it intends to keep its mutual status in spite of the recent spate of large mutual life insurers saying they are looking to float on the stock market.
The total cost of the deal to Nationwide was about \$1.7bn, all of which will be met from internal resources. Allied has a complicated corporate structure and the deal involves Nationwide buying the shares of Allied Group and Allied Life - both quoted companies - while also paying a special \$110m cash dividend to Allied Mutual's policyholders.
Nationwide will buy the shares of Allied's quoted companies while the two mutual companies will merge.
It will pay \$48.35 for each Allied Group share, higher than its initial offer of \$47 made three weeks ago which represented a premium of 69 per cent. Nationwide also agreed to pay \$30 a share for the 2.8m publicly traded shares of Allied Life.
The deal was advised by Credit Suisse First Boston. Morgan Stanley advised Allied Group. The deal requires regulatory clearance and is expected to close during the fourth quarter.

oup plc
s for the
ended
rch 1998
ord year for 1998
market leadership
in a year for the first time

Total Wealth Management
from **AZ** to **EFG**
Total Wealth Management from EFG Private Bank is much more than a traditional banking service, it's a total banking solution. It offers every one of our clients the close, personal attention of an international team of people who are expert in every step of private wealth creation and management, from A-Z
Total Wealth Management from EFG.
EFG Private Bank
GENEVA ZURICH TRIESTE LONDON MILAN PARIS PORTO CROCE MONTE CARLO
MADRID BARCELONA SEVILLE VALENCIA BILBAO BURGOS
BILBAO BURGOS BILBAO BURGOS BILBAO BURGOS BILBAO BURGOS

COMPANIES & FINANCE: EUROPE

BANKING DUTCH GROUP IN TALKS ABOUT CHANGING ACCEPTANCE LEVEL FOR GENERALE OFFER

ABN may make bid unconditional

By Neil Buckley
in Brussels

ABN Amro, the Dutch bank, is "seriously considering" making its €12.5bn (\$12.3bn) takeover bid for Générale de Banque, Belgium's biggest bank, unconditional at any acceptance level, Jan Kalf, the chairman, said yesterday.

Mr Kalf added that ABN Amro already held 2 per cent of the Belgian bank, acquired through the stock market.

The comments came a day after Mr Kalf said the bank was lowering the level at which its offer became

unconditional from 50 per cent to "50 per cent plus one share".

Speaking in Brussels, Mr Kalf said ABN Amro was now in discussions with Belgium's Banking and Finance Commission, the financial regulator, about making the offer unconditional.

However, it was waiting for rulings from the regulator on several connected issues.

Such a move would remove any uncertainty for Générale shareholders pledging their shares to ABN Amro on whether the offer would be upheld.

A rival \$11.1bn bid from Fortis, the Belgo-Dutch financial services group, is already unconditional.

Under Belgian law, Fortis's bid is considered "compulsory", because it was launched after Fortis received pledges from Générale's three main shareholders, which together hold 33 per cent, to cede their shares to it, effectively transferring control.

ABN Amro's bid is "voluntary".

Mr Kalf said he was awaiting guidance from the Banking and Finance Commission on the "rules of the game" for what is already the biggest bidding war for a continental

European bank, now expected to be launched around June 15.

These are thought to include whether a bidder winning less than 50 per cent would be required to cede its stake to the other if it gained more than 50 per cent, and what would happen if both parties ended up with less than 50 per cent.

Analysis suggest this is possible, since a small proportion of Générale de Banque shares are thought lost or untraceable.

The regulator is also under pressure to clarify whether either side would be forced to bid at least 5 per cent

higher than its opponent when raising its bid.

This rule is in Belgium's takeover code, however it is based on competing "voluntary" cash bids, rather than paper bids whose value fluctuates.

Belgium's second big banking merger, between Kredietbank, the country's second biggest bank, Cera Bank, and ABN, an insurance group, was completed yesterday.

Creating a new group called KBC Bank, KBC currently has the largest market capitalisation in Belgium, at more than \$17.2bn (\$19.9bn), and a balance sheet total of \$16.6bn.

Amer hit by 52% drop in Asian sales

By Tim Bart
in Stockholm

Shares in Amer yesterday fell 9 per cent after the Finnish sporting goods manufacturer warned of sharply reduced sales in Asia and muted demand for its Wilson tennis equipment and Atomic brand products.

The company saw its most commonly traded A shares slide by Fm9.60 to Fm108 after announcing that sales had declined 52 per cent in the Asia Pacific region and by 19 per cent in Japan during the first four months of the year.

Although Amer cut its pre-tax losses from Fm49m to Fm13m (\$2.4m) during the period, it admitted that weak consumer demand in southeast Asia and the cost of reorganising its Atomic businesses could undermine any improvement in the full-year results.

Roger Talamo, chief executive, said the company would not begin to enjoy the benefits of a three-year reorganisation - launched last year - before the end of this year.

Nevertheless, the group returned to the black at the operating line with a profit of Fm21m, compared with a loss last time of Fm12m, following an improvement in the Wilson golf division.

Increased sales in that area helped lift group turnover slightly from Fm1.49bn to Fm1.53bn.

The rise was offset, however, by a 40 per cent decline in sales of Oxygen-branded products - mainly in-line skates - and a flat performance in the team sports business.

Pekka Paalanen, chief financial officer, said Amer would take a decision later this year on its future commitment to manufacturing in-line skates, an area hard hit by price competition and production over-capacity.

"We are in the middle of restructuring and a big question mark remains over the in-line business," he said.

He confirmed that Amer planned to scale back production of Atomic ski equipment, which could lead to a 25 per cent reduction in the workforce at the Koflach and Altenmarkt factories in Austria.

Net financing expenses on the company's Fm1.2bn debt fell from Fm57m to Fm34m, and losses per share improved from Fm2.30 to Fm0.50.

NEWS DIGEST

BANKING

Banca di Roma merger deal collapses

Banca di Roma, Italy's second largest commercial bank, announced last night that its attempted merger with Banca Commerciale Italiana had fallen through. In a brief statement, the Rome-based bank said it considered the "possibility of a projected integration with Banca Commerciale Italiana to have now dropped".

In recent weeks there has been intense pressure, both in the political world and within the banking sector, to try to bring about a merger between the two banks as part of the broader consolidation of the Italian banking sector.

However, BCI has never hidden its doubts about entering into a merger with Banca di Roma, amid signs that it wished to retain its full independence. Earlier this week, Enrico Cuccia, president of Mediobanca, held talks with Romano Prodi, Italian prime minister, at which the proposed merger was thought to have been discussed. Both Banca di Roma and BCI hold a 15 per cent stake between them in Mediobanca, which appeared to strongly favour a consolidation between the two institutions. James Blitz, Rome

HOUSEHOLD APPLIANCES

Moulinex surges to Ffr203m

Moulinex, the French household appliances manufacturer, reported a sharp recovery in profits during its most recent financial year, with net income up from Ffr29m to Ffr203m (\$34.2m). Pierre Bleyau, chairman, warned that there had been a sudden drop in demand from Russia during April and May, the first two months of its year, linked to the current financial crisis.

However, he said Moulinex had won a considerable and solid part of the Russian market and said the problems in the country would not "destabilise" the group. He said that an electric motors factory based in Ireland would be relocated to France, representing a transfer of 110 jobs to compensate for the closure of a microwave ovens plant.

Turnover rose from Ffr7.5bn to Ffr8bn, and operating profits from Ffr160m to Ffr335m. The shares plunged nearly 8 per cent to Ffr168. Andrew Jack, Paris

INSURANCE

Generali targets AMB

Assicurazioni Generali, the Italian insurer, said yesterday it would launch a public takeover bid for all the shares in AMB, the German insurer, left on the stock market. The offer follows the acquisition of 54.61 per cent of AMB from Assicurazioni Generali de France as part of an agreement resulting from Allianz of Germany's victory in a takeover battle for the French group. Generali said it would bid DM210 for one share class and DM208.3 for shares entitled to a dividend on January 1 1998. The bid will start tomorrow and close on July 3. AFP News, Frankfurt

OIL

Lukoil cuts costs

Lukoil, Russia's largest oil company, yesterday followed other producers in implementing a radical cost reduction programme to combat the sharp fall in international oil prices and the latest turmoil in the country's financial markets.

Speaking at Lukoil's annual shareholders' meeting, Vadit Alekperov, chairman, also urged the government to shift more of the tax burden from Russia's corporations to individuals, saying high oil excise taxes were stifling the industry's profitability.

Mr Alekperov said Lukoil had made progress in 1997, lifting output by 6.5 per cent to 62m tonnes and strengthening its downstream operations. However, oil analysts expressed disappointment that Lukoil had not yet released its 1997 IAS accounts and forecast that its profits would fall by 40 per cent this year as a result of the harsher operating climate. John Thornhill, Moscow
See Commodities

EUROPEAN COMMISSION

Finnish energy merger approved

A planned merger between Imatran Voima and Neste, the Finnish energy groups, has received the go-ahead from the European Commission. The ruling paves the way for a joint holding company to be listed on the Helsinki stock exchange later this year.

Brussels had initially objected to the merged group's dominance over Finland's growing natural gas market. However, the Commission said its reservations had been overcome by Neste's agreement to reduce its holding in Gasum, a natural gas import joint venture with Gazprom of Russia, from 50 per cent to 25 per cent. Greg Melvor, Stockholm

AGRICULTURAL MACHINERY

New Holland names new chief

New Holland of Italy, Europe's second biggest maker of combine harvesters, yesterday announced the appointment of Vittorio Valiano as its new chief financial officer. Mr Valiano, 52, replaces Renato Iodice, who is leaving the company.

The appointment follows New Holland's acquisition this week of Bizon, a leading Polish maker of agricultural machinery. Bizon will be used by New Holland as a base to step up production of agricultural machines to the rest of eastern Europe. New Holland said it would invest \$20m in Bizon in the next three years to improve its production technologies and introduce new products. Bizon last year had sales of nearly \$40m, with a net profit of \$4m. Peter Marsh

Wraps come off chocolate's best-kept secret

Barry Callebaut flotation will raise its profile to the level of rivals Cadbury and Suchard, says William Hall

Ask most chocolate lovers to name Europe's biggest chocolate manufacturer and Barry Callebaut will not spring immediately to mind.

But while Mars, Nestlé, Suchard and Cadbury each have around 10 per cent of the market and some well known chocolate brands, they are still overshadowed by Barry Callebaut.

The Swiss company, with strong French and Belgian roots, is well known to professionals in a fast-consolidating global industry where it competes with US agribusiness giants such as Cargill and Archer Daniels Midland.

It buys more than 10 per cent of the world's cocoa beans and produces a third of so-called industrial chocolate. It supplies the chocolate for everything from Unilever's Magnum ice-cream bars, to Danone's biscuits and the classic chocolates produced by Thorntons of the UK.

Barry Callebaut is about to emerge from the shadows. This week Klaus Jacobs, 61, the Swiss owner, announced plans to reduce his stake in the company to around 70 per cent and raise around Sfr200m (\$135m) of new equity. The stock market flotation will probably value the company at more than Sfr1.5bn, or around 18 times estimated current earnings.

Barry Callebaut was formed in August 1996, when Callebaut, Mr Jacobs' Belgian chocolate company, acquired Cocos Barry, a French company specialising in sourcing cocoa, the main raw material for chocolate. The deal more than doubled the size of Mr Jacobs' group but also left it highly geared with equity of Sfr363m sup-

porting net debt of Sfr781m. With shares of companies such as Danone, Nestlé and Cadbury rising by around 50 per cent this year, Mr Jacobs is in a hurry to tap the stock market's new-found love of chocolate-coated equities to strengthen the balance sheet. After flotation, the gearing should drop to around 80 per cent and the interest cover increase from 5 times to 6.7 times.

It is not a commodity business but a high-tech food ingredient business

In spite of the company's limited record, Pierre Vermaut, Barry Callebaut 50-year-old chairman, believes his company can grow considerably faster than the 3 per cent a year industry average. Thirty years ago the majority of chocolate companies were vertically integrated, doing everything from processing cocoa beans to marketing the final consumer product.

However, it is a capital intensive business, and "companies are increasingly focusing their investment on marketing and supporting their brands, rather than investing in something they can buy from companies like us", says Mr Vermaut, who joined Callebaut in 1981. It is not a commodity business,

but "a high-tech food ingredient business", and Barry Callebaut's 17 plants pump out 1,500 types of chocolate and compute up to 10,000 different prices a day.

A second reason why Barry Callebaut is confident that it can grow its business faster than average, is its strategy of following its multinational clients into emerging markets, where annual chocolate consumption is a fraction of the average in Europe, where Barry Callebaut has a 90 per cent market share. By contrast, it is hardly represented in Latin America and only 3 per cent of its sales go to the Asia-Pacific region.

It wants to exploit demand for higher-margin gourmet chocolate and the increasing use of cheaper compound coatings. It is investing Sfr15m a year on research in a bid to replicate its success in premium ice cream bars, where production moved from nothing to 10 per cent of the total in six years.

James Amoroso of Bank Julius Baer believes the company has the right financial ingredients to boost its earnings from Sfr80.9m in the year to August 1998 to Sfr117.5m by 2000. It has an experienced management team, with all but two of the top executives from the Callebaut side. It also has a reliable source of quality cocoa, a critical ingredient to success in the industry.

It appears to have insulated itself from potential supply and quality control problems resulting from the forthcoming liberalisation of the cocoa trade of the Côte d'Ivoire.

The small west African country is the world's biggest cocoa producer and sup-



Chocolate dream: Pierre Vermaut believes growth will be fast

plies 70 per cent of Barry Callebaut's needs. In April, it bought the bulk of the cocoa stocks of Phibro Commodities, which controlled a quarter of the world's cocoa stocks. It has also established its own bean collecting system in the Ivory Coast.

At the same time, the company is selling control of Saco, the Côte d'Ivoire supplier of a third of its cocoa bean needs, back to Mr Jacobs. This strengthens its balance sheet and limits its exposure to disruptions in the country. The deal is a reminder that the company

will still be controlled by Mr Jacobs, who also owns another large consumer chocolate company.

Not only does this limit the liquidity in Barry Callebaut shares, but it also raises questions about future conflicts of interest.

However, given the recent stock market success of Mr Jacobs' Adecco, the world's leading employment agency, investors may well be prepared to forget the past controversy over his treatment of minority shareholders when he sold his family's Jacobs Suchard to Philip Morris for Sfr3.1bn in 1990.

Offering could value Swisscom at Sfr20bn

By William Hall in Zurich

Swisscom, the Swiss telecommunications utility, could be worth up to Sfr20bn (\$13.5bn) when the government floats it in the autumn, analysts said yesterday. That would make it the biggest initial public offering in Europe this year.

The carrier, which launches its privatisation marketing campaign today, has yet to publish its 1997 profits and the government has to decide how many shares it wants to sell. It plans to retain a majority, but could float 49.9 per cent of the capital, with a subsequent cash-call to strengthen the balance sheet.

Analysts have revised upwards the size of the planned IPO because of the

strength of the Swiss stock market. Other recently privatised telecoms companies have been valued at roughly two times sales. Based on Swisscom's revenues of Sfr10bn, this would lead to a Sfr20bn price tag.

David Schnell, Swisscom's new finance director, said yesterday the group had "performed well" in 1997. He denied the delay in publishing the results - because of the adoption of US GAAP accounting standards - would jeopardise its chances of meeting the flotation schedule and a New York stock exchange listing.

However, he released a few figures to offset concerns that the recent liberalisation of the Swiss telecoms market would lead to a fall in Swisscom's revenues.

New ISON lines rose 62 per cent to \$12,000 in 1997; mobile phone subscribers rose 56 per cent to more than 1m and Swisscom recruited 120,000 customers for its Blue Windows internet service, launched in 1996.

Swisscom will probably rank as one of Switzerland's top 10 quoted companies by market capitalisation and its advisers are hoping that scarcity value - it is Switzerland's first big privatisation - will fuel overseas demand.

Last month the Swiss government resolved the company's pension liability problems by transforming a Sfr3.2bn federal loan into equity. Mr Schnell hoped Swisscom would get a double A credit rating from international rating agencies.

Bonus shares reward for Telefonica holders

By Tom Burns in Madrid

Telefonica, the Spanish telecommunications group fully privatised last year, yesterday rewarded investors by announcing plans for two 140-50 bonus share issues over the next 12 months.

Each issue, to be paid for out of reserves, would involve 20.5m shares, about 2 per cent of the group's current capital, and carry a nominal value of Pta10.2bn (\$63m).

The move was seen by analysts as a reward for the more than 1m shareholders who backed a successful 1-for-1 rights issue last month.

The telecoms company raised fresh funds of Pta427bn in the largest

operation of its kind by a domestic company.

It was also seen as signalling a new shareholder policy. Juan Villalonga, the chairman, told analysts recently that he wanted to break with the practice of raising dividends in line with profits increases and to offer increased shareholder value.

In addition to the scrip issues, Telefonica plans to limit voting rights of shareholders to 10 per cent of the capital and to require those attending annual general meetings to hold a minimum of 10 shares.

It will also seek rulings making it mandatory for future directors to have held an unspecified number of Telefonica shares for three years before joining the

board. Executive directors will have to be board members for at least three years.

Telefonica said these initiatives would provide stability to the group and protect minority shareholders. They were also seen as offering further insurance against hostile takeovers over and above a golden share mechanism built into the carrier's privatisation to allow the government certain veto rights over the share structure until 2007.

The measures will be put to an extraordinary general meeting of shareholders on June 24.

If approved, one bonus share issue will be launched before the end of this year and the second in the first half of 1998.

Financial Times Surveys

Engineering

Wednesday June 24

For further information, please contact:

Catherine Markey in Edinburgh

Tel: +44 131 220 1199 Fax: +44 131 220 1578
catherine.markey@ft.com

FINANCIAL TIMES

No FT, no comment.

CITIC SEUL EXCEL TRUST

International Depositary Receipts (IDR)

Endorsing Beneficial Certificates

Representing 1,000 units

Notice is hereby given to the Unitholders that CITIC Seoul Excel Trust, managed by Citicose Investment Trust Management & Sec. Co. Ltd., Seoul, declared a distribution of US\$ 67,000 per IDR of 1,000 units payable on June 12, 1998.

Payment of coupon number 2 of the International Depositary Receipts will be made in US dollars at the offices of Bank Brussels Lambert in Belgium.

The proceeds of the coupon presented will be converted into US dollars at the prevailing spot rate of the day following their presentation, and will be distributed to the Unitholders in proportion to their respective entitlements and after deduction of all taxes and charges of the Depositary.

Unitholders residing in a country having a double taxation treaty with the Republic of Korea may obtain payment of their coupons at a lower rate of the Korean non-resident withholding tax, on condition they furnish to either the Depositary or through the Bank Brussels Lambert in Belgium a certificate showing their residence together with a copy of the Certificate of Incorporation or a copy of the passport for individuals. These documents are requested by the Korean National Tax Administration Office as evidence of residence and without them the full rate of 27.50 per cent Korean non-resident withholding tax will be retained.

If any distribution by the Trust shall remain unclaimed at the expiration of five years from the date on which this distribution first became payable, all rights of IDR Holders to such distribution or the proceeds of sale thereof shall be extinguished, and the Depositary shall retain the same to the Trust.

Depositary: Morgan Guaranty Trust Company of New York, 35 Avenue des Arts, B-1040 Brussels

JPMorgan

Notice to Noteholders

European Investment Bank

Fixed-Rate Floating Rate Notes due 2009

€11,600,000,000

In accordance with Condition 3(b) of the Terms and Conditions of the Notes, the Issuer has repurchased the sum of

€11,26,030,000,000 on

28th May, 1998. The outstanding balance is

€11,573,970,000,000.

Bancassurance Company, London, Paying Agent

1st June, 1998

Lehman Brothers

Holdings PLC

ITL 150,000,000,000

Floating Rate Notes due 2001

NOTICE IS HEREBY GIVEN that for the Interest Period 5th June, 1998 to 8th September, 1998 the Rate of Interest has been fixed at 5.9766% per annum. The interest accruing for such three month period will be ITL 73,858 per ITL 5,000,000 Note and ITL 738,580 per ITL 50,000,000 Note against presentation of coupon No. 7.

The First National

Bank of Chicago

Agent Bank

SGS

SGS Société Générale de Surveillance Holding S.A.

6, rue des Alpes - 1211 Geneva 1

ERRATUM

PAYMENT OF DIVIDEND

The dividend for the year 1997 relating to registered shares of the Company will be paid, free of charge, on 6th June, 1998, directly to the shareholders on record.

Deutsche takes on Kirch debt

Springer upbeat on expansion

RZB to expand in eastern Europe

BANKS BERLINER TO OFFLOAD DM1bn DEBT

Deutsche takes on Kirch debt

By Frederick Stüdemann in Berlin

Deutsche Bank, Germany's biggest, is to take on debts of more than DM1bn (\$561m) owed by Kirch Group, the media bank, from Berlin. The move has prompted speculation of a behind-the-scenes reorganisation of Europe's biggest media market.

Deutsche Bank is keen to ensure stability at Axel Springer Verlag, the publishing group with which it has a close relationship and in which Kirch holds a 40 per cent stake. The stake, with a current market value of more than DM1bn, has been used as collateral on the loans from Berliner Bank.

Berliner Bank, a unit of the largely publicly owned Bankgesellschaft Berlin group, is restructuring following heavy losses from bad loans to the property sector in Berlin and eastern Germany.

It was thought for some time to be keen to off-load the Kirch debt.

Speculation about the financial health of Kirch has gained momentum following the decision last week by the European Commission to block the company's proposed digital pay-TV joint venture with GLT-Ufa, the

Luxembourg-based media group in which Bertelsmann holds a 40 per cent stake.

A financial crisis at Kirch could have unwelcome consequences for other big German media companies. Bertelsmann in particular has voiced fears that a big foreign competitor would use Kirch as a vehicle to enter the German market.

Springer, where the founder's heirs hold a slim majority, has also been concerned about the threat of a change in its shareholder structure. In the 1980s the Springer heirs fought a bitter battle against Kirch, which had secretly built up its stake in the publishing group. One of the victims was SAT.1, a free-to-air television network in which both Kirch and Springer hold stakes, where boardroom wrangles brought management to a halt.

The Deutsche Bank move raises the prospect of Kirch selling its Springer stake to an approved investor.

Industry and banking officials say that in return for Kirch reducing or selling its stake in Springer, the publishing group would agree to a disposal of SAT.1, possibly to ProSieben, a free-to-air network majority owned by Thomas Kirch, son of company founder and owner, Leo.

Springer upbeat on expansion

By Frederick Stüdemann in Berlin

Axel Springer, the German publishing group, said yesterday it was well-equipped for international expansion but refused to give details on any possible takeover targets such as Mirror Group, the UK newspaper company.

Falk Ströbel, chief financial officer, said Springer could comfortably handle a takeover worth several billion D-Marks. "We have DM700m-DM800m (\$396m-\$461m) in cash and are virtually debt-free," he said.

He added that Springer had good relations with its banks and expected few problems if it needed to raise cash for acquisitions.

Gus Fischer, chairman, said the company's strategy for the next 10 years was to move from being "the leading German publisher to a big international media house". Springer aims to expand in both print and electronic media and intends to look at western Europe and North America first.

While refusing to comment on Mirror Group, which was identified by Springer two weeks ago as one of several possible acquisitions, Mr Fischer, a former

executive with Rupert Murdoch's News International, said the UK newspaper market offered great attractions. Operating profit margins of 25-30 per cent were high and British readers bought more newspapers than their counterparts elsewhere in Europe.

"I think the UK newspaper market will be healthy for a long, long time," he said. Mr Fischer said he had not been in contact with the UK Takeover Panel, which has been lobbied by advisers to Mirror Group wanting clarification of Springer's position. However, the German group's advisers from Westdeutsche Landesbank, are believed to have been in contact with the UK regulator.

Industry observers said Springer seemed keen to calm market speculation about a possible bid and that any "talking up" by Mirror Group executives was "unhelpful".

Springer said yesterday operating profits rose 30 per cent in 1997 to DM420m. Net profits were up 28 per cent to DM211m and sales increased 41 per cent to DM179m.

The company proposed an unchanged dividend of DM20, but said it would pay a bonus dividend of DM4.

RZB to expand in eastern Europe

By Eric Frey in Vienna

Raiffeisen Zentralbank (RZB), which operates the biggest commercial banking network in eastern Europe, says it wants to expand the number of branches in the former communist countries from 70 to 100 by the end of the year.

"East Central Europe is the chance of our century," said Herbert Stepic, head of RZB's foreign operations and mastermind of the Austrian bank's aggressive expansion.

Operating earnings from RZB's subsidiaries in Hungary, Slovakia, Poland, the Czech Republic, Bulgaria,

Croatia and Russia jumped 80 per cent to Sch1.74bn (\$140m) last year, and climbed another 50 per cent in the first five months of 1998.

Earnings from east Europe made up about half of RZB's total profit. Total assets climbed 52 per cent to Sch44bn at the end of 1997.

The bank is particularly strong in corporate lending and investment banking, but will expand in the retail banking sector and hopes to participate in the coming wave of privatisations.

RZB recently set up subsidiaries in Romania and the Ukraine.

St. George Bank Limited
(formerly St. George Bank Australia Limited)
US\$150,000,000
Floating Rate Notes 2006

The notes will bear interest at 6.4325% per annum for the interest period from 5 June 1998 to 5 September 1998. Interest payable on 8 September 1998 will amount to US\$168.88 per US\$100,000 note.

Agent: Morgan Guaranty Trust Company
JPMorgan

NOTICE TO BONDHOLDERS OF GVC CORPORATION
("The Company")
Organized as a company limited by shares in Taiwan, R.O.C.
US\$10,000,000
Zero Coupon CREDITS due 2002
("The CREDITS")
THIS NOTICE IS HEREBY GIVEN to holders of the outstanding CREDITS that the Company will distribute 15,000,000 new shares with a value of NT\$10 in its shareholders as a stock dividend, in accordance with the provisions of the Indenture governing the CREDITS, to the extent that the CREDITS are not redeemed on or before June 15, 1998.
GVC CORPORATION
Dated: June 5, 1998.

Mannesmann shifts its focus to telecoms businesses

Despite its shift of emphasis, group remains committed to its diversified conglomerate strategy, write Ralph Atkins and Jo Johnson

A century ago, Rheinhard and Max Mannesmann developed a process for manufacturing seamless steel tubes - and created the basis for the Mannesmann industrial group. Now, Germany's seventh largest company by market value is attempting to mould a leading European telecommunications operator out of a sprawling industrial empire.

From today, it will be looking to capture public imagination with a DM3bn (\$1.68bn) capital increase, pitched particularly at German retail investors, to finance future telecom expansion. But the rolling out of its telecom activities is already under way.

Last week, Mannesmann announced the DM280m acquisition of a 74.8 per cent stake in tele.ring, the Austrian telecommunications company. That stake will be added to a stable that includes 65 per cent of D2, Germany's largest digital mobile network, and Mannesmann Arcor, the German fixed-line business, in which a Mannesmann consortium has a 49.8 per cent stake.

Elsewhere, Mannesmann has a 15 per cent stake in Cegedel in France and 18.3

per cent and 26 per cent stakes respectively in Omnitel Pronto Italia and Infostrada, the Italian mobile and fixed telecoms companies.

Klaus Esser, the Mannesmann vice-chairman expected

Mannesmann has set a return on assets target of 15 per cent in 2000, subsequently rising to 20 per cent. For significant parts of the business, this is demanding

led to succeed Joachim Fink as chairman next year, says telecoms "has moved from the side to the centre" of the group's activities.

His aim is to build a "seamless service" that can capture trade across Europe's crumbling internal borders. That would pitch Mannesmann against the traditional telecoms opera-

tors such as British Telecommunications, the Unisource alliance and the French and German national carriers.

Telecoms accounted for more than 70 per cent of Mannesmann's DM1.7bn pre-tax profit last year (before full liberalisation of the German market), but only 17 per cent of sales. Its immediate attention is on expanding its shares in joint ventures - it has the right to lift its Arcor holding in Germany and its presence in Italy, where it has partnered Olivetti.

There are potential pitfalls. Orlund is the EU competition authority's probe into the exclusive access deals Mannesmann has to run telecoms networks along the tracks of railway operators in Germany, France, Italy and now Austria.

Another unresolved issue is the choice of a Mannesmann board member to take responsibility for telecoms. Peter Mihatsch, the driver behind D2 and Arcor in Germany, is standing down and a decision on his successor has been delayed.

However, in the longer term, Mr Esser says Mannesmann's entry into telecoms has "opened up for us opportunities that 10 years ago

you would never have expected". He lists online systems, including shopping and joining with banks in electronic payment, as possible new businesses for Mannesmann.

Mr Esser says the focus on telecommunications means Mannesmann has to look at its "roots" more closely. "We will allocate capital to those strong engineering and automotive businesses which deserve it: telecoms has clearly outgrown the rest in terms of value and growth potential."

Mannesmann has set a return on assets target of 15 per cent in 2000, subsequently rising to 20 per cent. For significant parts of the business, this is demanding.

While some of the original tubes businesses have long been transferred into joint ventures with other groups, possibly as a prelude to outright sales, the real programme of divesting underperforming divisions has got under way only in the past few years.

In the automotive division, which accounts for 23 per cent of group turnover, VDO, maker of dashboard systems and fuel supply units, has been strengthened

by the purchase of the Philips car systems business.

But Sachs, the mechanical components division, suffered in the early 1990s from lower volumes and plummeting prices in its main activities. Return on capital

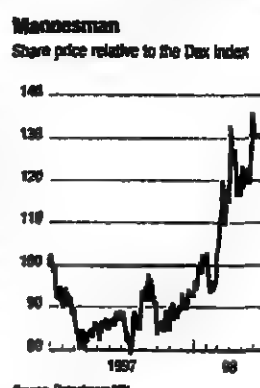
division, for example, which accounts for more than 40 per cent of group turnover, suffer from low profitability.

With operating margins under 2 per cent and Demag, the heavy engineering contractor, consistently loss-making, engineering is expected to be at the sharp end of Mr Esser's attentions.

Given paltry returns on gross assets of 5 per cent, the engineering side would have trouble attracting capital if not bundled with Mannesmann's promising telecoms assets. "Demag cannot be excluded from the 15 per cent target," Mr Esser says.

However, Mannesmann remains firmly attached to its diversified conglomerate strategy. "If you have more choice where to put your money, you have a higher chance of making a good choice," says Mr Esser.

Indeed, the prospect of a significant improvement in the margins and market shares of Mannesmann's non-telecoms businesses has underpinned the group's recent strong share performance. In turn, that has reduced any scope of releasing shareholder value by spinning off the telecoms activities.



\$5.8 BN. WHY YOU SHOULDN'T TURN OVER THE PAGE.



• Through Migros we operate Turkey's first and largest supermarket chain with 175 stores, opening a store a week in '97.

• We've opened the first hypermarket and the largest shopping mall in Moscow under our Ramax brand.

• We set up the first Turkish lightbulb factory, with GE, in 1949.

• Through Düzey we're one of Turkey's leading distribution companies covering more than 50,000 points of sale.

• Through TAT we're Europe's largest tomato paste producer.

• We also own Maret, Pastavilla and SEK, leading producers of fresh and processed meat, pasta and dairy products respectively.



A part of Turkish life.

THE EC

C

By Richard

Economic

The Bau

UK con-

gress co-

interest

time in

The be-

come

subdue

over th

inflat

ion

looki

g

anal

M:

as

By Rob

Econ

It is

interp

more

to lift

We r

hawk

econ

be do

in

that

vote,

that

ident

ties

outk

rem:

sler

depu

for t

at p

re

T

Th

ary

suff

dow

inf

rest

the

exc

on

T

dic

for

f

ac

an

=

INTERNET REFOCUS ON E-COMMERCE

Netscape to change tack

By Christopher Price
in San Francisco

Netscape, the Internet software pioneer, yesterday put electronic commerce at the centre of its corporate strategy in a move designed to broaden its revenue base from its browser software business which has been badly hit by competition from Microsoft.

The company said it was developing new versions of its e-commerce software, which would be available by the end of the year. These would help underpin the group's strategy of turning its "Netcenter" home page into the conduit for business and individuals to buy and sell on the Internet.

Jim Barksdale, president and chief executive, said Netscape was taking advantage of the rapidly growing demand for a viable means to conduct e-commerce. "We are witnessing the beginnings of the modern-day equivalent of a land grab, with businesses rushing to stake out their territory on the net."

"Businesses are realising that the net economy is about more than providing

employees with easy browser-based access to information, or extending their enterprises out to partners via extranets. It is about transforming the way companies create and keep customers - the very core of their businesses."

Netscape's push towards becoming an Internet "portal", a multi-faceted gateway to the world wide web, faces stiff competition from established Internet media and search engine groups. Yahoo!, Excite and Infoseek are among those companies which have already established portals in order to widen their revenue bases.

Netscape was forced to offer its innovative browser software free last January in the face of Microsoft's rival product which was being given away with its operating system. Microsoft has been accused by the US Justice Department of attempting to eliminate competition from Netscape.

Last year, Netscape reported net losses of \$115.5m, after exceptional charges. Excluding these, it made net income of \$4.7m on revenues of \$533.9m.

Triton invites oil and gas bids

By Robert Corbin

Formal bids are expected soon in what promises to be one of the most competitive, and complicated, asset sales so far this year in the international oil and gas industry.

Triton Energy, the Dallas-based but Cayman Islands-registered independent, has put its two most prized assets on the block: a 12 per cent stake in the giant Cusiana and Cupigagua oil fields in Colombia and a 50 per cent holding in the offshore "Joint Development Area" between Thailand and Malaysia, where eight "significant" gas finds have been made.

Bankers say both assets are large enough to be material to leading international oil companies.

Around 30 companies are thought to have visited "data rooms" set up in the US and the UK over the past two months to evaluate the technical details of Triton's assets. The data rooms are

set to close today, with bids expected over the next few weeks.

Although the company has only formally invited bids for the two assets, Triton's management is thought to prefer a deal that would result in the purchase of the whole company, either for cash or for shares.

The Triton deal has attracted considerable attention in the oil industry, in part because it highlights the financial quandary of successful explorers. Although both assets are "world class", the cost of developing them has outstripped Triton's ability to fund them.

Low oil prices this year have exacerbated the company's problems. Triton discovered Cusiana and Cupigagua, which are now operated by British Petroleum.

Triton's position in the JDA could form the basis for a strong gas business in Asia, but valuations of the area's reserves vary widely.

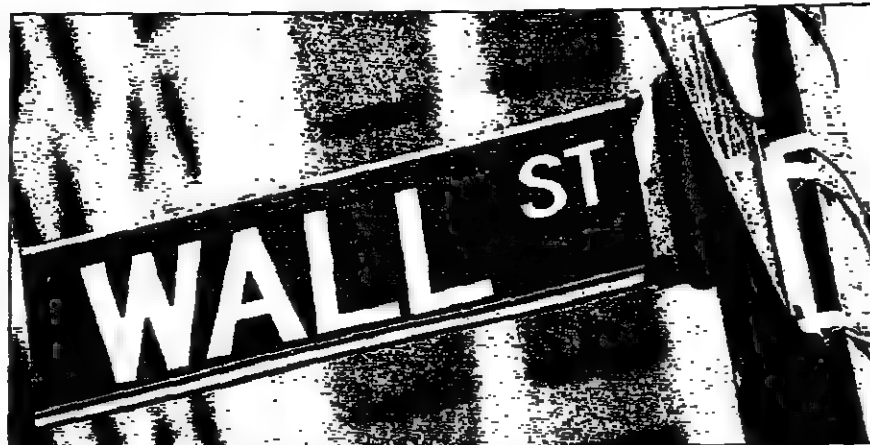
Wall St warns brokers on 2000

Wall Street is throwing considerable muscle into cleaning up the millennium bomb in the computers that process billions of dollars worth of trades daily, and is pitching in to help smaller firms with shorter purse strings get on track. Reuters reports from New York.

However, after a battery of tests, some firms not up to speed by June 1999 could be left out in the cold. Merrill Lynch has said brokers that do not show any improvement after the testing will be cut off. "We just won't do any business with them," Edward Goldberg, executive vice-president of operations, services and technology, said at a presentation in April.

The top Wall Street firms and US markets are already strenuously testing their systems. But all the probing may not be enough if other firms linked to the global computer web do not carefully inspect their own.

"Because of the interconnectedness of the world's financial markets, there is no longer any concept of a merely isolated problem in a



Top Wall Street firms and US markets are strenuously testing their systems

given market," Richard Grasso, New York Stock Exchange chairman, testified before a Congressional panel in late April.

"If a major market financial centre or major market participant is not prepared on that first millennium day of the new millennium, markets around the world and market participants will suffer," Mr Grasso said.

To check the systems

against one another, the Securities Industry Association has organised a test between firms in July. The test will involve about 30 big Wall Street firms, all the main US exchanges and utilities, such as the clearing and settlement firms.

Tests will run on July 13, 15, 20 and 22 to check for programming glitches and also to see whether or not the test itself actually worked, said John Panchery,

SIA's project manager of its Y2K programme.

For small firms with limited in-house resources, the SIA is holding regional conferences and has put Year 2000 tests on its web site on the Internet so firms can start tackling the problem early.

The securities industry as a whole is estimated to be spending up to \$6bn to ensure computer systems will not crash.

Nissan 'behind the curve'

By Tony Walker in
Smyrna, Tennessee

Nissan executives at Smyrna, the company's North American plant in the heart of Tennessee, like to boast they have never had a redundancy at the non-union facility.

"We plan never to have a lay-off. We've always had a very stable workforce," says Daniel Gaudette, vice-president manufacturing at Smyrna, which is set to produce 300,000 vehicles this year compared with 398,000 in 1997.

But if a sales slump persists, Nissan may be hard-pressed to uphold its undertaking to preserve jobs. The United Auto Workers' Union, which has been seeking a

foothold at the plant, will be watching closely following Nissan's decision to halt production for 24 working days this year.

Builing inventories of its locally produced and imported vehicles have seen supply reach 119 days. Nissan wants to get supply down to 75 days by October.

Nissan's problems in North America, however, go deeper than a slide in sales of its locally-produced vehicles, principally the Sentra small car. The company has also been "behind the curve", industry analysts say, in developing the right product mix.

It has been slow to introduce a sports utility vehicle (SUV) specifically for the US market, which has left it too

dependent on the Sentra. A compact and 200 SX sports coupe at a time when such vehicles have become less popular.

Nissan plans to rectify the problem in the next year or so by introducing an "entry level" SUV designated the "133". But the company faces increasingly stiff competition as competitors have geared up production of such vehicles to meet extraordinary demand. Nissan has been importing its Infiniti and Pathfinder SUVs, but recognises it needs a local product to make serious inroads.

The company is also increasing the size of the Altima to make it more appealing for families and to compete with Toyota's

Camry, but that size change will not happen for several years.

In the meantime, Nissan will early next year move production of its Sentra to Mexico to make room for the "133" which it hopes will revive the Smyrna plant's fortunes. "We think it will capture a market niche," says Mr Gaudette.

Hard-pressed Nissan executives say they are continuing to make productivity gains at their Smyrna facility, but because of the slump in small car sales, due to higher levels of prosperity and low fuel prices, they have been caught in a "cyclical squeeze".

"The economy is just too good right now," says Mr Gaudette.

Shell and Halliburton in venture

By Christopher Parnis in
Los Angeles

Shell Oil has formed a joint venture with Halliburton, an oil and gas industry contractor, to make and market drilling equipment which the partners claim will cut the cost of deep-water exploration.

The technology link is one of three forged by Halliburton in recent days to reflect the industry's growing interest in exploiting some of the more inaccessible reserves in established fields.

Halliburton, which is in the process of merging with Dresser Industries to create a new power in the oil services sector, also has a four-year agreement with Statoil, Norway's state-controlled group, to develop an advanced drilling system.

The co-funded venture will allow exploration groups to extract out-of-reach reserves in existing fields, Halliburton said.

Halliburton's other new partner is Expro Americas, a well-testing and sub-sea specialist. As with the Shell

link, the alliance will have an initial interest in developing deep-water regions - where the ocean is at least 1,000ft deep - such as the Gulf of Mexico.

The new ventures will complement the resources of the Halliburton/Dresser merger in which Halliburton's engineering and construction strengths are expected to be enhanced by Dresser's drilling and technology specialties.

No financial details have been disclosed, although the connection with Shell, the

US subsidiary of the Anglo-Dutch Royal Dutch/Shell group, entails the formation of a new stand-alone company with investment costs shared equally.

The new company, to be launched in the fourth quarter, will make and market expandable drill-hole casing technology developed by a Shell subsidiary.

"Expandable casing offers the potential for a step change in well construction technology," said Edgar Ortiz, president of Halliburton Energy Services.

NEWS DIGEST

MANAGEMENT CONSULTANCY

Booz-Allen & Hamilton chief resigns

Brian Dickie, chief operating officer of the US management consultants Booz-Allen & Hamilton, has resigned with immediate effect. Mr Dickie, 43, was considered the most likely successor to the firm's chairman, Bill Stasior, who retires next year.

Booz-Allen denied suggestions that the surprise resignation was due to differences over strategy. Mr Dickie had presented a strategic plan for the company, known internally as B2K, to an annual meeting of worldwide partners in April. He tendered his resignation at a board meeting this Tuesday.

Daniel Idzik, senior vice-president and secretary to the board, said the strategic study had been "a good piece of work". He claimed Mr Dickie had resigned because he did not want to be considered for a six-year stint as chairman, having been head of the firm's worldwide commercial business since 1993.

It is understood that Mr Dickie, who was not available for comment, has no immediate employment plans.

Booz-Allen, a private partnership, is among the world's largest management consultancies, with 8,000 staff and over 230 partners. Its revenues last year were \$1.4bn. Mr Dickie's position as head of Booz-Allen's commercial business will be filled temporarily by Mr Stasior, until a successor is chosen in 4-6 weeks' time. Mr Idzik said the process of choosing Mr Stasior's successor would be started thereafter.

It is thought unlikely that Mr Dickie's departure reflects trading difficulties within the firm. Tony Jackson

US SECURITIES

Merrill Lynch buys Thai stake

Merrill Lynch, the US securities firm, has formed a joint venture with Phatra Thairakit, the Thai financial company, and acquired a majority stake in Phatra Securities, its investment banking arm. Merrill will pay \$12.65bn, or \$63m, for the 51 per cent interest in Phatra Securities, valuing Phatra at \$15.3bn in total. The joint venture will be named Merrill Lynch Phatra Securities Company.

Phatra Bank, the 49 per cent shareholder of Phatra Thairakit, has committed to vote in favour of the transaction. Analysts said it was probably following the same strategy as other Thai banks of setting asset provisions against loan losses. It recently raised \$857m in new capital, much of which has been earmarked for provisions in the second quarter.

"The partnership [with Merrill] will bring immediate benefits in terms of much needed capital inflows to Thailand," said Banthorn Lamsan, president of Thai Farmers Bank. David Komansky, Merrill chairman and chief executive officer, said the deal underscored Merrill's "optimism about the long-term growth and development of Thailand's economy and securities markets". The Bangkok SET stock index has fallen 61.7 per cent since January 1997.

Tracy Corrigan, New York

CANADA

Capital markets lift CIBC

Improved capital market conditions and strong retail banking results enabled Canadian Imperial Bank of Commerce, which has announced its intention to merge with Toronto-Dominion Bank pending regulatory approval, to report second-quarter net earnings up at C\$434m (US\$299m), or 97 cents a share. That compares with earnings of C\$370m, or 84 cents, in the quarter ending April 30.

CIBC's results met expectations, with the earnings increase similar to results posted last week by the other four of Canada's five large banks. CIBC was the only large Canadian bank in the first quarter to report a drop in profits, which fell more than 8 per cent.

CIBC's first-quarter net income excluding extraordinary items was C\$403m, up C\$63m from the same period last year. The bank's return on equity rose from 17.7 to 18.3 per cent. Return on equity for the first six months of the fiscal year stood at 16.2 per cent. CIBC's personal and banking operations contributed quarterly net income of C\$286m while income from capital markets operations rose 19 per cent to C\$128m. Scott Morrison, Toronto

Base Rate

Morgan Grenfell & Co. Limited announces that its Base Rate has been amended from 7.25% to 7.5% per annum with effect from June 4, 1998 until further notice.

All facilities (including regulated consumer credit agreements) with a rate linked to Morgan Grenfell & Co. Limited Base Rate will be varied accordingly.

Morgan Grenfell & Co. Limited
23 Great Winchester Street, London EC2P 2AX

BE OUR GUEST.

When you stay with us in MOSCOW, stay in touch with your complimentary copy of the

FINANCIAL TIMES
No FT, no comment.

Prices for generally accepted securities for the purposes of the electricity trading and					
settlements : groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
: groupings					
:					

صباحنا من الامل

COMPANIES & FINANCE: ASIA-PACIFIC

PHILIPPINES BILLIONAIRE INVESTOR SAID TO HAVE MADE APPROACH TO BUY BANK STAKE

Soros shows interest in PNB

By Justin Marozzi in Laos

George Soros, the billionaire US investor, has expressed interest in buying the government's remaining 46 per cent stake in Philippine National Bank, according to the Philippine finance secretary.

Salvador Enriquez, the outgoing finance secretary, said he had been approached by Mr Soros during a recent trip to the US.

"There are many interested investors in PNB and Soros is one of them," Mr Enriquez said.

Shares in PNB rose 2 pesos to 71 pesos yesterday, valuing the government stake at 4.44bn pesos (\$142m).

Analysts reacted cau-

tiously to news of Mr Soros's reported remark, saying any potential investor in PNB would be concerned about the level of bad loans.

"Nobody will acquire PNB without having an extremely close look at the loan book and valuing it on a multiple of clean book value," said Matthew Sutherland, head of research at Paribas Asia Equity in Manila.

"The current apparently low price to book value reflects the market's perception of the quality of the loan book and the low level of PNB's return on equity."

The sell-off of PNB, which started in the late 1990s, is a priority of the incoming administration of president-elect Joseph Estrada, which

is facing a substantial budget deficit this year, according to the International Monetary Fund.

Edgardo Espiritu, who will become finance secretary later this month, says the government plans to unload its stake in PNB, Manila Electric Company and Philippine Airlines.

PNB, which has been hard hit by the Asian crisis, is regarded by most banking analysts as the laggard of the sector, with the highest level of foreign currency loans and a poor return on assets. Its non-performing loans are also greater than those of other top-tier banks.

But analysts say PNB's extensive branch network is attractive to potential investors looking to buy into a bank with genuinely national reach.

PNB has already been the subject of takeover rumours in Manila, with Metro Pacific, the Philippine flag-ship of Hong Kong-based Metro Pacific, believed to be one of several interested buyers. The bank is keen to raise capital and recently announced plans to launch a convertible bond issue of up to \$200m this year.

Peter Favila, PNB president, warned the bank would be left behind if it did not raise its capital. Analysts say PNB is the most undercapitalised bank in the sector. Profits would be flat this year because of the fall-out from the Asian crisis.

Brokers run out of margin for error

Angry retail clients are forcing some Hong Kong firms to pull in their horns, says Louise Lucas

The cocktail of falling markets and weakening credibility is proving deadly for Hong Kong's stockbrokers.

Retail investors who helped fuel the bull rally last summer are these days queuing to retrieve their share certificates - because paperless trading is seen as reckless - or marching the streets to demand compensation following the collapse of a handful of brokerages.

The latest casualty was the failure last month of Ming Pong, whose 2,000 investors are claiming an estimated HK\$450m (\$58.5m). The government set what some say was a dangerous precedent by increasing the compensation lifeline for investors with CA Pacific Group, the brokerage group which was the first to succumb, in January.

"I wouldn't rule out more failures," says Syed Bagh Ali Shah Bokhary, who runs his own brokerage. "I'm sure there are some firms that are on the brink of collapse." CA Pacific's undoing was its finance arm's heavy exposure at a time of plunging share prices to margin trading, where clients finance share purchases with a mix of cash and loans. There is often a backlash on brokers when clients cannot meet their obligations which they had assumed would be covered by rising prices.

The collapse highlighted a chink in Hong Kong's regulatory armoury, but rules drafted last month seek to bring margin finance under the Securities and Futures Commission, the securities regulator.

This bill will go before the Legislative Council after the summer recess; after its passage - and allowing for a grace period - margin finance companies will have to meet paid-up capital requirements and register with the SFC.



Unhappy investor: Brokers throughout Hong Kong are facing a widespread backlash

However, this is scant comfort to investors or brokers who are bleeding clients. Every day small investors make some 10,000-plus requests to withdraw share certificates from central clearing.

"The amount of people queuing outside Central Clearing wanting to withdraw their physical scrip speaks for itself," says Paul Cheng, finance director at WorldSec.

"They worry about brokerages going bust and would prefer to keep stock in their own safe rather than trust it with someone else."

The exodus of retail clients, on whom many of the local brokerages have traditionally relied, has been compounded by a thinning out of market activity. Daily turnover on the stock exchange last month was an average HK\$5.5bn, a fraction of the HK\$30bn volumes witnessed at the height of the bull market in August last year, and more comparable to the levels of business in 1992.

Christopher Rampton, head of stockbroking at Jardine Fleming, says the problems arising from light turn-

over have been compounded by non-existent trading profits and an evaporating primary market.

"If you remove 50 per cent of the value of these three items, it's pretty lean in our business right now," he says.

Mr Rampton, like most brokers, expects further fallout to occur in the middle ranks: the brokerages whose overheads remain substantial while corporate placements and agency stockbroking are falling away.

"I very much doubt any of us will come out of it being rich men... there must be a lot of middle sized ones who won't come out at all."

"If you build overheads commensurate with today's regulatory requirements then even if you get rid of analysts and salesmen, your infrastructure is still quite expensive. The only way you can pay for that is reasonable commissions," he says.

Reasonable commissions have not flowed through most Hong Kong brokers' doors this year. Jardine Fleming is expecting levels to halve this year and other brokerages are similarly bracing them-

selves. "Confidence is pretty badly shaken," says Mr Cheng.

The margin trading which cost some brokerages their existence cost the industry as a whole in terms of confidence - some clients say they unwittingly signed up for margin accounts and have thus lost their shares even though they personally never used loans for shares.

A number of clients have since switched out of margin accounts and brokers report a steep decline in the amount of margin lending, which was as high as 70 per cent even towards the end of last year.

But even in these straitened times, brokers are determined to ride it out. "The brokerage industry in Hong Kong has been through this more than once. We are looking at it as just another cycle, although this one has been more severe," said Mr Bokhary.

"I think a lot of the brokerages can still live off the fat accumulated over the past few years. That should be enough to keep them going for quite a while, even if they are losing money now."

Alphatec seeks bankruptcy protection

By William Gurnes in Bangkok

Alphatec Electronics yesterday became the first Thai corporation to seek the protection of the country's new bankruptcy laws.

Six bank creditors sought the approval of a bankruptcy judge for accountants Price Waterhouse to oversee a rehabilitation plan behind the shield of a code that operates along the lines of the US Chapter 11 protection.

The company's main shareholders, led by founder Charn Uswachoke, had

earlier blocked the move after complaining that a Price Waterhouse audit had painted too gloomy a picture.

The country's previous bankruptcy laws would probably have forced the once high-flying chipmaker into a position where creditors could neither kill it off nor risk pouring in fresh funds.

Mr Charn's ambitions to lead Thailand into high-tech production blew up in his hands when Price Waterhouse, as independent auditors, discovered nearly a year ago that three years of profits at Alphatec Electron-

ics had been faked and that dubious money transfers had been made to private associate companies.

Mr Charn resigned as executive chairman after the release of the damning audit, but has since led moves to keep auditors Pricewaterhouse from the work-out coordinators.

The company admitted in March that it was insolvent after years of rapid expansion and a slide in global electronics prices.

It has about US\$300m in debts.

The Price Waterhouse plan is understood to entail sharp

writedowns in existing share values and extensive debt for equity swaps by both trade and bank creditors.

Alphatec said it would ask the stock exchange to hold off on a threat to delist it if no rehabilitation plan had been appointed by yesterday.

The shares were suspended on July 25 last year.

The six Alphatec creditors that are behind the rehabilitation plan are the Bangkok Bank, Credit Agricole Indosuez, Nakornthon Bank, Standard Chartered Bank and Sumitomo Bank.

Financial Times Surveys

Nordic Countries

FINLAND: Friday July 3
NORWAY: Tuesday October 27
DENMARK: Wednesday November 11
SWEDISH BANKING: Monday December 7

For further information please contact:
Felicja Kay in London
Tel: +44 171 873 4199 Fax: +44 171 873 4317 email: felicia.kay@FT.com
or Bradley Johnson in Stockholm
Tel: +46 8 791 2345 Fax: +46 8 791 7960 email: bradley.johnson@ft.com

FINANCIAL TIMES
No FT, no comment.

THIS NOTICE IS IMPORTANT AND REQUIRES THE IMMEDIATE ATTENTION OF FORMER HOLDERS OF BONDS. IF SUCH HOLDERS DO NOT UNDERSTAND IT OR ARE IN ANY DOUBT AS TO THE ACTION THEY SHOULD TAKE, THEY SHOULD CONSULT THEIR FINANCIAL ADVISER, STOCKBROKER, LAWYER, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER AUTHORISED UNDER THE FINANCIAL SERVICES ACT 1986 WITHOUT DELAY.

BURMAH CASTROL CAPITAL (JERSEY) LIMITED

£56,000,000

9% per cent. Convertible Capital Bonds Due 2006

guaranteed on a subordinated basis by

BURMAH CASTROL PLC

and convertible into

2 per cent. Exchangeable Redeemable Preference Shares in the Issuer, guaranteed on a subordinated basis by, and exchangeable for Ordinary Shares in, the Guarantor

NOTICE IS HEREBY GIVEN to former holders (the "Bondholders") of the £56,000,000 9% per cent. Convertible Capital Bonds Due 2006 (the "Bonds") issued by Burmah Castrol Capital (Jersey) Limited (the "Issuer") and guaranteed on a subordinated basis by Burmah Castrol plc (the "Guarantor") of arrangements regarding the payment of accrued interest pursuant to Condition 4(b) of the Bonds.

Under Condition 5 of the Conditions of the Bonds, the Bondholders had the right (a "Conversion and Exchange Right") at any time on or after 31st July 1991 to convert each unit of a Bond into a Preference Share, which would forthwith be exchanged for Ordinary Shares of the Guarantor.

Under Condition 6 of the Conditions of the Bonds, the Issuer had the right at any time to redeem all, but not some only, of the Bonds on giving not less than 30 nor more than 90 days' irrevocable notice to the Bondholders (a "Required Redemption Notice") and on 17th May 1998, the Issuer served a Required Redemption Notice on the Bondholders giving notice that the Issuer would on 20th June 1998 (the "Required Redemption Date") redeem all of the Bonds then outstanding. Such Required Redemption Notice did not apply to any Bond in respect of which either the applicable Conversion and Exchange Right was exercised by the relevant Bondholder prior to the close of business at the place at which such Bond was deposited for conversion on the 14th day before the Required Redemption Date or the applicable Conversion and Exchange Right was exercised by the Trustee.

All of the Bonds outstanding at the time of the Required Redemption Notice were converted pursuant to Condition 6 on or before the Required Redemption Date either by the exercise by certain Bondholders of their Conversion and Exchange Rights or by the exercise by the Trustee of its Conversion and Exchange Rights.

Condition 4(b) of the Conditions of the Bonds provided that interest would cease to accrue on each Bond converted on the Interest Payment Date last preceding the Conversion Date. Condition 4(b) provided that, if a Required Redemption Notice was given by the Issuer on or after the 14th day before the Conversion Date, interest would cease to accrue on each Bond converted on the Interest Payment Date last preceding the Conversion Date. In accordance with the minute of order (the "Minute of Order") of the High Court dated 27th November 1997 of the judgment of the High Court and a Deed of Waiver dated 28th May 1998 between the Issuer, the Guarantor and the Trustee, notice is hereby given to Bondholders that the following arrangements for the payment of interest on the Bonds shall apply:

- (1) In respect of Bonds where the Bondholder exercised Conversion and Exchange Rights on or before 17th April 1998, interest ceased to accrue on 20th December 1995.
- (2) In respect of Bonds where the Bondholder exercised Conversion and Exchange Rights after 17th April 1998 and on or before 17th May 1998, interest ceased to accrue on 20th December 1995.
- (3) In respect of Bonds where the Trustee exercised Conversion and Exchange Rights or where the Bondholder exercised Conversion and Exchange Rights after 17th May 1998, interest ("Accrued Interest") has accrued from 20th December 1995 (being the Interest Payment Date last preceding the relevant Conversion Date) to the date (the "Relevant Conversion Date") being 20th June 1998 (in the case of Bonds where the Trustee exercised Conversion and Exchange Rights) or the business day (being a day on which banks generally were open for business in the place where such Bond was delivered for conversion) following the date of such delivery (in the case of Bonds where a Bondholder exercised Conversion and Exchange Rights) after 17th May 1998.
- (4) Accrued interest became due and payable on the date (the "Due Date") falling 14 days after the Relevant Conversion Date. Interest on such Accrued Interest shall accrue at the Court statutory rate of interest (currently 8 per cent. per annum) from the date next following the Due Date until 31st June 1998 (Accrued Interest and interest under this paragraph (4) is called "Accrued Interest Plus"). The Accrued Interest will be paid under the Conditions of the Bonds. Accordingly, in respect of the Registered Bonds, it will be paid under deduction of lower rate United Kingdom income tax (currently 20%). In respect of the Bearer Bonds (which were quoted Eurobonds for UK tax purposes), it will be paid without any tax being deducted from it. Interest on the Accrued Interest (both in respect of the Registered Bonds and the Bearer Bonds) will be paid in respect of the period for which the Accrued Interest has been due and outstanding. This interest will be paid without any tax being deducted from it because it is not "yearly interest".
- (5) Payment of Accrued Interest Plus will be effected in accordance with the instructions given at the time of exercise of Conversion and Exchange Rights or, where no such instructions were given, in accordance with paragraph 8 below.
- (6) In respect of Registered Bonds, payment will be made by cheque posted to the address of the registered holder (or, in the case of joint registered holders, the first-named of such holders) appearing on the register of Bondholders on the Relevant Conversion Date. In respect of Bearer Bonds, payment will be made to Morgan Guaranty Trust Company of New York, Brussels office, as operator of the Euroclear System and Codi Bank, Société anonyme with instructions for payment to be made to the relevant accountholders on the Relevant Conversion Date within such clearing systems.

Words and expressions defined in the Conditions of the Bonds, the Trust Deed dated 20th June 1991 constituting the Bonds and the Deed of Waiver dated 28th May 1998 have the same meanings where used in this Notice.

Copies of the Minute of Order and the Deed of Waiver will be available for inspection, during normal business hours, on any weekday (Saturdays and public holidays excepted) at the registered office of Burmah Castrol plc, George House, 50 George Square, Glasgow G2 1RR and at the specified offices of each of the Paying Agents for a period of 14 days from the date of this notice.

TRUSTEE
The Law Debenture Trust Corporation p.l.c.
Princes House, 95 Gresham Street, London EC2V 7LY

PRINCIPAL PAYING AND CONVERSION AGENT AND REGISTRAR
The Chase Manhattan Bank
Tirely Tower, 9 Thomas More Street, London E1Y 8YT

OTHER PAYING AND CONVERSION AGENTS
Banque Paribas Luxembourg S.A.
5 Rue Pictet
L-1338 Luxembourg Grand
Chase Manhattan Bank (Switzerland)
65 Rue du Rhône
CH-1204 Geneva

By: The Chase Manhattan Bank
for and on behalf of
Burmah Castrol Capital (Jersey) Limited

20th June 1998

This announcement appears as a matter of record only.

April 1998

VOLKSWAGEN AKTIENGESELLSCHAFT

Wolfsburg, Federal Republic of Germany

Capital Increase 1997/1998

of 3,000,000 new Ordinary Bearer Shares
of DM 50 nominal Value each

Subscription price: DM 1,010 for each new ordinary bearer share
Ratio: 1 for 13
Dividend entitlement: January 1, 1997
Subscription period: March 25 to April 7, 1998

Joint Lead Manager

Deutsche Bank Aktiengesellschaft	Dresdner Kleinwort Benson Dresdner Bank Aktiengesellschaft
Commerzbank Aktiengesellschaft	Credit Suisse First Boston Aktiengesellschaft
J.P. Morgan GmbH	Morgan Stanley Dean Witter
ABN AMRO ABN AMRO Bank (Deutschland) AG	Goldman, Sachs & Co. oHG
Banca Commerciale Italiana	Banco Bilbao Vizcaya
Bayerische Hypotheken- und Wechsel-Bank Aktiengesellschaft	Bayerische Landesbank Girozentrale
BTG Bank AG Gruppe Credit Lyonnais	BHF-BANK Aktiengesellschaft
HSBC Trinkaus Treuhänder & Bankhaus KGaA	B. Metzler und Sohn & Co. Kommersialgesellschaft auf Aktien
Sal. Oppenheim jr. & Cie. Kommersialgesellschaft auf Aktien	PARIBAS Banque Paribas - Zweigniederlassung Frankfurt am Main
Société Générale S.A.	Westdeutsche Landesbank Girozentrale
	Bankgesellschaft Berlin Aktiengesellschaft
	Bayerische Vereinsbank AG
	UBS Union Bank of Switzerland (Deutschland) AG
	Merrill Lynch Capital Markets Bank Limited Frankfurt/Main Branch
	Bankgesellschaft Berlin Aktiengesellschaft
	Bayerische Vereinsbank AG
	DG BANK Deutsche Genossenschaftsbank
	Norddeutsche Landesbank Girozentrale
	SBC Warburg Dillon Read Schweizerischer Bankverein (Deutschland) AG

EURO PRICES

EQUITIES

UK rate rise hangs over bourses

EUROPEAN OVERVIEW

By Martin Dickson,
Financial Editor

An unexpected rise in UK interest rates, early weakness on Wall Street, and Asian losses hung over European markets yesterday and pushed down the FTSE 100 equity indices.

The 300 index finished the day at 1,231.18, down 10.02 points, while the 100 index stood 25.80 lower at 2,819.70. The Ebroc 100 index, which tracks companies domiciled in founder members of European monetary union, dipped 7.27 to 1,040.36.

The quarter-point rise in UK interest rates by the Bank of England unsettled bond markets in both continental Europe and the US, reviving fears of rates rises on both sides of the Atlantic.

European bonds ended broadly lower, though German bunds edged higher, with the 10-year benchmark issue quoted in late trade around 102.91 for a yield of 4.85.

Markets were bracing themselves for today's release of important US data on jobs, which will have a strong influence on US Federal Reserve policy.

Among Eurobluc sectors, the worst performer was extractive industries, down 3.96 per cent, with Rio Tinto losing 0.40 to 11.08.

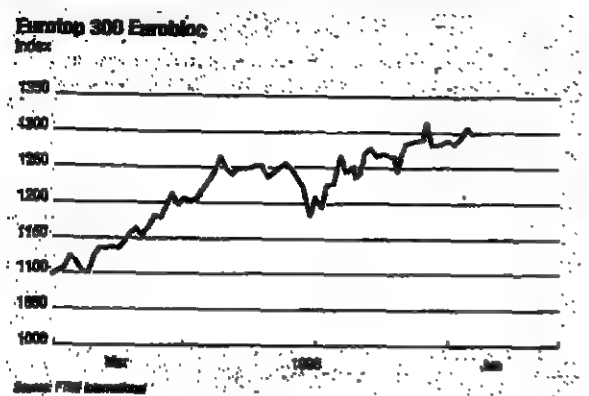
Electrical and electronic equipped dipped 1.69 per cent, with Alcatel Alsthom plunging 1.91 to 12.82.

Information technology was 1.25 per cent lower, with Cap Gemini down 0.40 to 12.85 and SAP Prof

Euro 2.30 lower at 109.53. Retail banks dipped across the board, with the sector closing 1.27 per cent down.

Deutsche Bank dropped 0.10 to 11.08, Lloyds TSB 0.10 higher at 12.12. Breweries, pubs and restaurants, a sector with particularly heavy UK representation, dropped 1.29 per cent, with Compass down 0.70 to 17.24.

Rising sectors included household goods and textiles, up 0.82 per cent, with L'Oréal putting on 0.15 to 12.50 and Beldoroff up 0.70 to 58.79.



W THREE MONTH EURO FUTURES (LFFE) Expiry date of 100%

	Open	Sett price	Change	High	Low	Sett vol	Open int
Jan	95.780	95.780	-0.025	95.780	95.730	381	11023
Feb	95.815	95.780	-0.006	95.820	95.780	1349	18726
Mar	95.890	95.825	-0.065	95.900	95.890	8	7272
Apr	95.970	95.970	-0.000	95.970	95.970	0	0

W THREE MONTH EURO OPTIONS (LFFE) Expiry date of 100%

	Open	Sett price	Change	High	Low	Sett vol	Open int
Jan	95.780	95.780	-0.025	95.780	95.730	381	11023
Feb	95.815	95.780	-0.006	95.820	95.780	1349	18726
Mar	95.890	95.825	-0.065	95.900	95.890	8	7272
Apr	95.970	95.970	-0.000	95.970	95.970	0	0

W THREE MONTH EURO WINK FUTURES (LFFE) Expiry date of 100%

	Open	Sett price	Change	High	Low	Sett vol	Open int
Jan	255.0	255.0	-0.000	255.0	255.0	0	0
Feb	255.0	255.0	-0.000	255.0	255.0	0	0
Mar	255.0	255.0	-0.000	255.0	255.0	0	0
Apr	255.0	255.0	-0.000	255.0	255.0	0	0

W THREE MONTH EURO WINK OPTIONS (LFFE) Expiry date of 100%

	Open	Sett price	Change	High	Low	Sett vol	Open int
Jan	255.0	255.0	-0.000	255.0	255.0	0	0
Feb	255.0	255.0	-0.000	255.0	255.0	0	0
Mar	255.0	255.0	-0.000	255.0	255.0	0	0
Apr	255.0	255.0	-0.000	255.0	255.0	0	0

W THREE MONTH EURO WINK WINK FUTURES (LFFE) Expiry date of 100%

	Open	Sett price	Change	High	Low	Sett vol	Open int
Jan	255.0	255.0	-0.000	255.0	255.0	0	0
Feb	255.0	255.0	-0.000	255.0	255.0	0	0
Mar	255.0	255.0	-0.000	255.0	255.0	0	0
Apr	255.0	255.0	-0.000	255.0	255.0	0	0

W THREE MONTH EURO WINK WINK OPTIONS (LFFE) Expiry date of 100%

	Open	Sett price	Change	High	Low	Sett vol	Open int
Jan	255.0	255.0	-0.000	255.0	255.0	0	0
Feb	255.0	255.0	-0.000	255.0	255.0	0	0
Mar	255.0	255.0	-0.000	255.0	255.0	0	0
Apr	255.0	255.0	-0.000	255.0	255.0	0	0

W THREE MONTH EURO WINK WINK WINK FUTURES (LFFE) Expiry date of 100%

	Open	Sett price	Change	High	Low	Sett vol	Open int
Jan	255.0	255.0	-0.000	255.0	255.0	0	0
Feb	255.0	255.0	-0.000	255.0	255.0	0	0
Mar	255.0	255.0	-0.000	255.0	255.0	0	0
Apr	255.0	255.0	-0.000	255.0	255.0	0	0

W THREE MONTH EURO WINK WINK WINK OPTIONS (LFFE) Expiry date of 100%

	Open	Sett price	Change	High	Low	Sett vol	Open int
Jan	255.0	255.0	-0.000	255.0	255.0	0	0
Feb	255.0	255.0	-0.000	255.0	255.0	0	0
Mar	255.0	255.0	-0.000	255.0	255.0	0	0
Apr	255.0	255.0	-0.000	255.0	255.0	0	0

W THREE MONTH EURO WINK WINK WINK WINK FUTURES (LFFE) Expiry date of 100%

	Open	Sett price	Change	High	Low	Sett vol	Open int
Jan	255.0	255.0	-0.000	255.0	255.0	0	0
Feb	255.0	255.0	-0.000	255.0	255.0	0	0
Mar	255.0	255.0	-0.000	255.0	255.0	0	0
Apr	255.0	255.0	-0.000	255.0	255.0	0	0

W THREE MONTH EURO WINK WINK WINK WINK OPTIONS (LFFE) Expiry date of 100%

	Open	Sett price	Change	High	Low	Sett vol	Open int
Jan	255.0	255.0	-0.000	255.0	255.0	0	0
Feb	255.0	255.0	-0.000	255.0	255.0	0	0
Mar	255.0	255.0	-0.000	255.0	255.0	0	0
Apr	255.0	255.0	-0.000	255.0	255.0	0	0

W THREE MONTH EURO WINK WINK WINK WINK WINK FUTURES (LFFE) Expiry date of 100%

	Open	Sett price	Change	High	Low	Sett vol	Open int
Jan	255.0	255.0	-0.000	255.0	255.0	0	0
Feb	255.0	255.0	-0.000	255.0	255.0	0	0
Mar	255.0	255.0	-0.000	255.0	255.0	0	0
Apr	255.0	255.0	-0.000	255.0	255.0	0	0

W THREE MONTH EURO WINK WINK WINK WINK WINK OPTIONS (LFFE) Expiry date of 100%

	Open	Sett price	Change	High	Low	Sett vol	Open int
Jan	255.0	255.0	-0.000	255.0	255.0	0	0
Feb	255.0	255.0	-0.000	255.0	255.0	0	0
Mar	255.0	255.0	-0.000	255.0	255.0	0	0
Apr	255.0	255.0	-0.000	255.0	255.0	0	0

W THREE MONTH EURO WINK WINK WINK WINK WINK WINK FUTURES (LFFE) Expiry date of 100%

	Open	Sett price	Change	High	Low	Sett vol	Open int
Jan	255.0	255.0	-0.000	255.0	255.0	0	0
Feb	255.0	255.0	-0.000	255.0	255.0	0	0
Mar	255.0	255.0	-0.000	255.0	255.0	0	0
Apr	255.0	255.0	-0.000	255.0	255.0	0	0

W THREE MONTH EURO WINK WINK WINK WINK WINK WINK OPTIONS (LFFE) Expiry date of 100%

	Open	Sett price	Change	High	Low	Sett vol	Open int
Jan	255.0	255.0	-0.000	255.0	255.0	0	0
Feb	255.0	255.0	-0.000	255.0	255.0	0	0
Mar	255.0	255.0	-0.000	255.0	255.0	0	0
Apr	255.0	255.0	-0.000	255.0	255.0	0	0

W THREE MONTH EURO WINK WINK WINK WINK WINK WINK WINK FUTURES (LFFE) Expiry date of 100%

	Open	Sett price	Change	High	Low	Sett vol	Open int
Jan	255.0	255.0	-0.000	255.0	255.0	0	0
Feb	255.0	255.0	-0.000	255.0	255.0	0	0
Mar	255.0	255.0	-0.000	255.0	255.0	0	0
Apr	255.0	255.0	-0.000	255.0	255.0	0	0

W THREE MONTH EURO WINK WINK WINK WINK WINK WINK WINK OPTIONS (LFFE) Expiry date of 100%

	Open	Sett price	Change	High	Low	Sett vol	Open int
Jan	255.0	255.0	-0.000	255.0	255.0	0	0
Feb	255.0	255.0	-0.000	255.0	255.0	0	0
Mar	255.0	255.0	-0.000	255.0	255.0	0	0
Apr	255.0	255.0	-0.000	255.0	255.0	0	0

W THREE MONTH EURO WINK WINK WINK WINK WINK WINK WINK WINK FUTURES (LFFE) Expiry date of 100%

	Open	Sett price	Change	High	Low	Sett vol	Open int
Jan	255.0	255.0	-0.000	255.0	255.0	0	0
Feb	255.0	255.0	-0.000	255.0	255.0	0	0
Mar	255.0	255.0	-0.000	255.0	255.0	0	0
Apr	255.0	255.0	-0.000	255.0	255.0	0	0

W THREE MONTH EURO WINK WINK WINK WINK WINK WINK WINK WINK OPTIONS (LFFE) Expiry date of 100%

	Open	Sett price	Change	High	Low	Sett vol	Open int
Jan	255.0	255.0	-0.000	255.0	255.0	0	0
Feb	255.0	255.0	-0.000	255.0	255.0	0	0
Mar	255.0	255.0	-0.000	255.0	255.0	0	0
Apr	255.0	255.0	-0.000	255.0	255.0	0	0

W THREE MONTH EURO WINK WINK WINK WINK WINK WINK WINK WINK WINK FUTURES (LFFE) Expiry date of 100%

	Open	Sett price	Change	High	Low	Sett vol	Open int
Jan	255.0	255.0	-0.000	255.0	255.0	0	0
Feb	255.0	255.0	-0.000	255.0	255.0	0	0
Mar	255.0	255.0	-0.000	255.0	255.0	0	0
Apr	255.0	255.0	-0.000	255.0	255.0	0	0

FTSE Actuaries Share Indices

	Index	Change	%
FTSE 100	1231.18	-10.02	-0.81
FTSE 250	2819.70	-25.80	-0.91
FTSE 1000	1040.36	-7.27	-0.70

FTSE 100 Industry Sectors

	Index	Change	%
Automotive	1231.18	-10.02	-0.81
Chemicals	1231.18	-10.02	-0.81
Electronics	1231.18	-10.02	-0.81
Food & Drink	1231.18	-10.02	-0.81
Healthcare	1231.18	-10.02	-0.81
Media	1231.18	-10.02	-0.81
Oil & Gas	1231.18	-10.02	-0.81
Retail	1231.18	-10.02	-0.81
Telecom	1231.18	-10.02	-0.81
Utilities	1231.18	-10.02	-0.81

FTSE 100 Industry Sectors (Cont.)

	Index	Change	%
Banking	1231.18	-10.02	-0.81
Insurance	1231.18	-10.02	-0.81
Real Estate	1231.18	-10.02	-0.81
Transport	1231.18	-10.02	-0.81
Other	1231.18	-10.02	-0.81

FTSE 100 Industry Sectors (Cont.)

	Index	Change	%
Automotive	1231.18	-10.02	-0.81
Chemicals	1231.18	-10.02	-0.81
Electronics	1231.18	-10.02	-0.81
Food & Drink	1231.18	-10.02	-0.81
Healthcare	1231.18	-10.02	-0.81
Media	1231.18	-10.02	-0.81
Oil & Gas	1231.18	-10.02	-0.81
Retail	1231.18	-10.02	-0.81
Telecom	1231.18	-10.02	-0.81
Utilities	1231.18	-10.02	-0.81

FTSE 100 Industry Sectors (Cont.)

	Index	Change
--	-------	--------

UK gilts knocked off their perch

GOVERNMENT BONDS
By Jeremy Grant in London and John Labate in New York

UK GILTS were knocked off their perch yesterday, in response to the Bank of England's shock decision to raise the key UK interest rate, dragging some bond markets lower in Europe.

US Treasuries caught a chill as a result but comments by Federal Reserve officials playing down the need for higher interest rates in the US helped steady nerves domestically.

Economists were baffled and investors caught off guard, most believing that a recent slew of statistics pointed clearly to a cooling of the UK economy and that inflationary concerns were evaporating fast.

But the bank's monetary policy committee had remained base rate at 7.50 per cent from 7.25 per cent, citing

upward pressure on private sector wages and a weakening pound.

"I think it defies logic. You've got three-quarters of the UK economy growing at below trend rates," said Simon Briscoe, UK economist at Nikko.

The gilt yield spread over German bunds widened by seven basis points on the day, helping to put a brake on weeks of outperformance by the UK bond market. It ended at 99 basis points.

At the short end of the yield curve - the most vulnerable to short-term interest rate changes - selling was heavy, contributing to a significant increase in the inversion of the yield curve.

The September gilt future settled down 0.53 points at 109.38 in very heavy volume of 106,000 contracts.

However, analysts said the outlook for gilts remained positive and they still held value over bunds because

the medium to long-term UK inflation outlook appeared unchanged.

"This is indicative of a central bank that's serious about clamping down on inflation. That it's willing to do something that markets don't expect is not necessarily a bad thing for the long end of the bond markets."

"The risk in the near term is that people across the curve are caught out and will have to liquidate further," said Ily Ismail, at Deutsche Morgan Grenfell.

In addition, the fact that traders were unwinding positions across the yield curve indicated that investors were not pricing in any change in the timing of a rate cut.

"It hasn't changed people's perspective too much. People think they've peaked and the first cut's going to come around the end of the year or the start of next," said James Mitchell, bond strategist at Nomura.

US TREASURIES were weaker in early afternoon trading in response to the UK's rate rise and in advance of an important employment report today.

The benchmark 30-year bond was down 1/8 to 104 1/8, sending the yield up to 5.86 per cent. Among shorter-term issues the 10-year note fell 1/8 to 100 1/8, yielding 5.58 per cent, while the two-year note was down 1/8 to 99 1/8, yielding 5.67 per cent.

The initial reaction to the UK rate move was negative, with Treasuries selling off on fears of a possible surprise rate rise in the US.

"Anytime one of the G7 countries makes a rate move there is some limited impact on other countries," said Tom O'Connell, at First Chicago Capital Markets.

Prices improved later in the session after comments from Federal Reserve Board governor Laurence Meyer. Mr Meyer discussed "down-

side risk" associated with markets in Asia, Latin America, and Russia.

"It seemed like he was emphasising a potential slowdown in the economy," said Richard Gilhooly, at Paribas Capital Markets in New York.

Among yesterday's economic reports, weekly unemployment claims showed a greater rise than expected.

GERMAN BONDS were among the few markets not to fall in reaction to the UK news, ending barely changed despite figures showing a slight acceleration in first-quarter economic growth.

The June bund future settled at 108, after closing at 108.02 the previous day. Analysts said they expected US Treasuries to provide support at the 108 point level.

SWEDISH BONDS fell sharply after the Riksbank cut its key interest rate by 25 basis points to 4.10 per cent.

UK plans second student loan issue

By Jeremy Grant

NM Rothschild & Sons is to advise the UK government on the second issue of student loan bonds - paper based on the collateral of future income streams, such as mortgages, student loans, credit card receivables and, most recently, VAT rebates.

It is also part of the government's drive to reduce the burden of student loans on public sector borrowing and transfer risk management to the private sector.

The sale is to be launched in July and is expected to be completed by next March.

The first tranche of just over £100 million in student loans was sold in March last year and placed as bonds by Greenwich NatWest.

The bonds, which have a 30-year life, are backed by three income streams: the first in repayment by students of loan principal and interest. The second is a government subsidy bridging the difference between students pay and the spread over Libor buyers of the bond expect.

The third is a government "first loss guarantee" covering loans that default for 24 months or more, for up to 4.75 per cent of the total initial student loan portfolio.

"It is likely that the government will put in place a subsidy structure - as it did in the first sale - which increases the cash flows received by the private sector and converts them into a product capable of securitisation," said James Vaux, director at Rothschild.

NEWS DIGEST

DEBT RATINGS

Fitch IBCA downgrades Lebanon to BB minus

Fitch IBCA, the international rating agency, yesterday downgraded Lebanon's long-term foreign currency rating from BB to BB minus, on worries of a deterioration in the country's external debt ratios. The agency said Lebanon had in the past managed to sustain its current account deficits, which averaged 40 per cent of gross domestic product between 1993 and 1997, without a rapid increase in external debt because of significant direct investment flows.

It noted however, that the debt component of capital inflows rose sharply in 1997, which meant that Lebanon would lose its net creditor status by 2000. Fitch IBCA estimated that 25 per cent of the current account deficit was funded by debt-creating flows last year, compared with 7 per cent in 1996.

Net government borrowing increased from \$2.8bn to \$4bn in 1997, according to the agency. This included Lebanese pound Treasury bills bought by foreigners as well as the \$600m deposit Lebanon's central bank received from the Saudi government at the end of 1997, which helped shore up foreign exchange reserves and allowed the central bank to support the Lebanese pound.

The agency said Lebanon's fiscal position deteriorated sharply in 1997, and post-war growth remains below expectations amid continued regional political instability.

The rating agency acknowledged that fiscal results for early 1998 indicate a marked improvement, but it believed opposition to revenue-raising measures. The downgrade puts the rating in line with the assessment of Standard & Poor's and still one notch above the ratings assigned to Lebanon by Moody's. It led to Byblos Bank and Banque Audi's long-term ratings also being reduced to BB minus. Roula Khalef

Moody's Investors Service yesterday upgraded the country ceiling on Sweden's foreign currency debt by one notch to Aa2. The move, which follows a substantial improvement in the country's budget finances and current account position, comes in striking contrast to agency comment on Italy and Belgium. Fitch IBCA yesterday placed both countries on negative rating alert, citing worrying high levels of public debt and the need for both countries to extend the maturities of those debts.

On Sweden, Moody's commended the government for stabilising the public debt to GDP ratio in 1994 and said it had been reduced slightly since then. "The debt ratio is likely to fall more rapidly over the near to medium term," it said. Moody's also highlighted improvements to Sweden's budget position which - although Sweden was not a founding member of European monetary Union - remained positive in outlook owing to its adherence to the Maastricht criteria.

On the negative side, Moody's said Sweden's economy continued to suffer from distortions in the labour market and in the taxation system. These represented "risks to the country's economic health and competitiveness over the longer term". Edward Lane

Moody's lifts Sweden to Aa2

Moody's Investors Service yesterday upgraded the country ceiling on Sweden's foreign currency debt by one notch to Aa2. The move, which follows a substantial improvement in the country's budget finances and current account position, comes in striking contrast to agency comment on Italy and Belgium. Fitch IBCA yesterday placed both countries on negative rating alert, citing worrying high levels of public debt and the need for both countries to extend the maturities of those debts.

On Sweden, Moody's commended the government for stabilising the public debt to GDP ratio in 1994 and said it had been reduced slightly since then. "The debt ratio is likely to fall more rapidly over the near to medium term," it said. Moody's also highlighted improvements to Sweden's budget position which - although Sweden was not a founding member of European monetary Union - remained positive in outlook owing to its adherence to the Maastricht criteria.

On the negative side, Moody's said Sweden's economy continued to suffer from distortions in the labour market and in the taxation system. These represented "risks to the country's economic health and competitiveness over the longer term". Edward Lane

Global mortgage deal by Westpac

INTERNATIONAL BONDS
By Edward Lane

Westpac, the Australian bank, won plaudits yesterday for the successful launch of the first global mortgage-backed bond not involving US domestic mortgages. The \$1.4bn offering, backed by Australian residential mortgages, follows a mortgage-backed eurobond launched by Westpac earlier this year, which was the first Australian mortgage-backed deal on international markets.

Morgan Stanley, joint lead with J.P. Morgan, said yesterday's deal was targeted primarily at US investors owing to the more sophis-

icated investor base in the US. About 70 per cent of distribution went to the US, although there was also demand in Europe.

An official said the borrower was able to get the deal away at a margin of 14 basis points over Libor - roughly four basis points tighter than initial talk - owing to the greater sophistication of the US investor base. Westpac plans to offer international mortgage-backed bonds every three or four months.

The bond, which follows the launch of debut mortgage-backed bonds in Switzerland and Germany, was trading flat to its re-offer price last night.

New international bond issues

Issuer	Amount	Coupon	Price	Maturity	Spread	Bookrunner
US DOLLARS						
Westpac Sec Class AWP	1.3bn	(6 1/2)	100.00	Sep 2001	0.15	J.P. Morgan
The Raelson Foundation	1.25bn	11 7/8	98.781	Jun 2003	0.675	Goldman Sachs
Pinco Capital Corp	250m	(6)	98.735	Jun 2003	0.58	ABN AMRO
EURO CURRENCY						
Merrill Lynch and Co	1.5bn	5 3/8	99.129	Jun 2010	0.425	Merrill Lynch
Commerzbank Group	1bn	5 3/8	99.822	Jun 2006	0.40R	Morgan Stanley
YEN						
Inter-American Dev Bank	13bn	3.00%	99.95	Jul 2001	1.30	Nomura
SWISS FRANC						
Reinheitsbrot Bank	100m	(6 1/2)	100.00	Apr 2001	1.30	Merrill Lynch
EURO CURRENCY						
SGA	100m	10.0%	99.80R	Jul 2003	1.50R	Calvert Holding
EURO CURRENCY						
Overseas Overseas Bank	10bn	(6)	99.80R	Jun 2002	0.55R	SGO Warburg Dillon Read

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. 4-United, 5-Convertible, 6-Floating rate note, 7-Convertible coupon, 8-Bond re-offer price, 9-Bidder's offer, 10-Call, 11-3-month Libor, 12-6-month Libor, 13-9-month Libor, 14-12-month Libor, 15-3-month Euro Libor, 16-6-month Euro Libor, 17-9-month Euro Libor, 18-12-month Euro Libor, 19-3-month US Libor, 20-6-month US Libor, 21-9-month US Libor, 22-12-month US Libor, 23-3-month US Euro, 24-6-month US Euro, 25-9-month US Euro, 26-12-month US Euro, 27-3-month US Euro, 28-6-month US Euro, 29-9-month US Euro, 30-12-month US Euro, 31-3-month US Euro, 32-6-month US Euro, 33-9-month US Euro, 34-12-month US Euro, 35-3-month US Euro, 36-6-month US Euro, 37-9-month US Euro, 38-12-month US Euro, 39-3-month US Euro, 40-6-month US Euro, 41-9-month US Euro, 42-12-month US Euro, 43-3-month US Euro, 44-6-month US Euro, 45-9-month US Euro, 46-12-month US Euro, 47-3-month US Euro, 48-6-month US Euro, 49-9-month US Euro, 50-12-month US Euro, 51-3-month US Euro, 52-6-month US Euro, 53-9-month US Euro, 54-12-month US Euro, 55-3-month US Euro, 56-6-month US Euro, 57-9-month US Euro, 58-12-month US Euro, 59-3-month US Euro, 60-6-month US Euro, 61-9-month US Euro, 62-12-month US Euro, 63-3-month US Euro, 64-6-month US Euro, 65-9-month US Euro, 66-12-month US Euro, 67-3-month US Euro, 68-6-month US Euro, 69-9-month US Euro, 70-12-month US Euro, 71-3-month US Euro, 72-6-month US Euro, 73-9-month US Euro, 74-12-month US Euro, 75-3-month US Euro, 76-6-month US Euro, 77-9-month US Euro, 78-12-month US Euro, 79-3-month US Euro, 80-6-month US Euro, 81-9-month US Euro, 82-12-month US Euro, 83-3-month US Euro, 84-6-month US Euro, 85-9-month US Euro, 86-12-month US Euro, 87-3-month US Euro, 88-6-month US Euro, 89-9-month US Euro, 90-12-month US Euro, 91-3-month US Euro, 92-6-month US Euro, 93-9-month US Euro, 94-12-month US Euro, 95-3-month US Euro, 96-6-month US Euro, 97-9-month US Euro, 98-12-month US Euro, 99-3-month US Euro, 100-6-month US Euro, 101-9-month US Euro, 102-12-month US Euro, 103-3-month US Euro, 104-6-month US Euro, 105-9-month US Euro, 106-12-month US Euro, 107-3-month US Euro, 108-6-month US Euro, 109-9-month US Euro, 110-12-month US Euro, 111-3-month US Euro, 112-6-month US Euro, 113-9-month US Euro, 114-12-month US Euro, 115-3-month US Euro, 116-6-month US Euro, 117-9-month US Euro, 118-12-month US Euro, 119-3-month US Euro, 120-6-month US Euro, 121-9-month US Euro, 122-12-month US Euro, 123-3-month US Euro, 124-6-month US Euro, 125-9-month US Euro, 126-12-month US Euro, 127-3-month US Euro, 128-6-month US Euro, 129-9-month US Euro, 130-12-month US Euro, 131-3-month US Euro, 132-6-month US Euro, 133-9-month US Euro, 134-12-month US Euro, 135-3-month US Euro, 136-6-month US Euro, 137-9-month US Euro, 138-12-month US Euro, 139-3-month US Euro, 140-6-month US Euro, 141-9-month US Euro, 142-12-month US Euro, 143-3-month US Euro, 144-6-month US Euro, 145-9-month US Euro, 146-12-month US Euro, 147-3-month US Euro, 148-6-month US Euro, 149-9-month US Euro, 150-12-month US Euro, 151-3-month US Euro, 152-6-month US Euro, 153-9-month US Euro, 154-12-month US Euro, 155-3-month US Euro, 156-6-month US Euro, 157-9-month US Euro, 158-12-month US Euro, 159-3-month US Euro, 160-6-month US Euro, 161-9-month US Euro, 162-12-month US Euro, 163-3-month US Euro, 164-6-month US Euro, 165-9-month US Euro, 166-12-month US Euro, 167-3-month US Euro, 168-6-month US Euro, 169-9-month US Euro, 170-12-month US Euro, 171-3-month US Euro, 172-6-month US Euro, 173-9-month US Euro, 174-12-month US Euro, 175-3-month US Euro, 176-6-month US Euro, 177-9-month US Euro, 178-12-month US Euro, 179-3-month US Euro, 180-6-month US Euro, 181-9-month US Euro, 182-12-month US Euro, 183-3-month US Euro, 184-6-month US Euro, 185-9-month US Euro, 186-12-month US Euro, 187-3-month US Euro, 188-6-month US Euro, 189-9-month US Euro, 190-12-month US Euro, 191-3-month US Euro, 192-6-month US Euro, 193-9-month US Euro, 194-12-month US Euro, 195-3-month US Euro, 196-6-month US Euro, 197-9-month US Euro, 198-12-month US Euro, 199-3-month US Euro, 200-6-month US Euro, 201-9-month US Euro, 202-12-month US Euro, 203-3-month US Euro, 204-6-month US Euro, 205-9-month US Euro, 206-12-month US Euro, 207-3-month US Euro, 208-6-month US Euro, 209-9-month US Euro, 210-12-month US Euro, 211-3-month US Euro, 212-6-month US Euro, 213-9-month US Euro, 214-12-month US Euro, 215-3-month US Euro, 216-6-month US Euro, 217-9-month US Euro, 218-12-month US Euro, 219-3-month US Euro, 220-6-month US Euro, 221-9-month US Euro, 222-12-month US Euro, 223-3-month US Euro, 224-6-month US Euro, 225-9-month US Euro, 226-12-month US Euro, 227-3-month US Euro, 228-6-month US Euro, 229-9-month US Euro, 230-12-month US Euro, 231-3-month US Euro, 232-6-month US Euro, 233-9-month US Euro, 234-12-month US Euro, 235-3-month US Euro, 236-6-month US Euro, 237-9-month US Euro, 238-12-month US Euro, 239-3-month US Euro, 240-6-month US Euro, 241-9-month US Euro, 242-12-month US Euro, 243-3-month US Euro, 244-6-month US Euro, 245-9-month US Euro, 246-12-month US Euro, 247-3-month US Euro, 248-6-month US Euro, 249-9-month US Euro, 250-12-month US Euro, 251-3-month US Euro, 252-6-month US Euro, 253-9-month US Euro, 254-12-month US Euro, 255-3-month US Euro, 256-6-month US Euro, 257-9-month US Euro, 258-12-month US Euro, 259-3-month US Euro, 260-6-month US Euro, 261-9-month US Euro, 262-12-month US Euro, 263-3-month US Euro, 264-6-month US Euro, 265-9-month US Euro, 266-12-month US Euro, 267-3-month US Euro, 268-6-month US Euro, 269-9-month US Euro, 270-12-month US Euro, 271-3-month US Euro, 272-6-month US Euro, 273-9-month US Euro, 274-12-month US Euro, 275-3-month US Euro, 276-6-month US Euro, 277-9-month US Euro, 278-12-month US Euro, 279-3-month US Euro, 280-6-month US Euro, 281-9-month US Euro, 282-12-month US Euro, 283-3-month US Euro, 284-6-month US Euro, 285-9-month US Euro, 286-12-month US Euro, 287-3-month US Euro, 288-6-month US Euro, 289-9-month US Euro, 290-12-month US Euro, 291-3-month US Euro, 292-6-month US Euro, 293-9-month US Euro, 294-12-month US Euro, 295-3-month US Euro, 296-6-month US Euro, 297-9-month US Euro, 298-12-month US Euro, 299-3-month US Euro, 300-6-month US Euro, 301-9-month US Euro, 302-12-month US Euro, 303-3-month US Euro, 304-6-month US Euro, 305-9-month US Euro, 306-12-month US Euro, 307-3-month US Euro, 308-6-month US Euro, 309-9-month US Euro, 310-12-month US Euro, 311-3-month US Euro, 312-6-month US Euro, 313-9-month US Euro, 314-12-month US Euro, 315-3-month US Euro, 316-6-month US Euro, 317-9-month US Euro, 318-12-month US Euro, 319-3-month US Euro, 320-6-month US Euro, 321-9-month US Euro, 322-12-month US Euro, 323-3-month US Euro, 324-6-month US Euro, 325-9-month US Euro, 326-12-month US Euro, 327-3-month US Euro, 328-6-month US Euro, 329-9-month US Euro, 330-12-month US Euro, 331-3-month US Euro, 332-6-month US Euro, 333-9-month US Euro, 334-12-month US Euro, 335-3-month US Euro, 336-6-month US Euro, 337-9-month US Euro, 338-12-month US Euro, 339-3-month US Euro, 340-6-month US Euro, 341-9-month US Euro, 342-12-month US Euro, 343-3-month US Euro, 344-6-month US Euro, 345-9-month US Euro, 346-12-month US Euro, 347-3-month US Euro, 348-6-month US Euro, 349-9-month US Euro, 350-12-month US Euro, 351-3-month US Euro, 352-6-month US Euro, 353-9-month US Euro, 354-12-month US Euro, 355-3-month US Euro, 356-6-month US Euro, 357-9-month US Euro, 358-12-month US Euro, 359-3-month US Euro, 360-6-month US Euro, 361-9-month US Euro, 362-12-month US Euro, 363-3-month US Euro, 364-6-month US Euro, 365-9-month US Euro, 366-12-month US Euro, 367-3-month US Euro, 368-6-month US Euro, 369-9-month US Euro, 370-12-month US Euro, 371-3-month US Euro, 372-6-month US Euro, 373-9-month US Euro, 374-12-month US Euro, 375-3-month US Euro, 376-6-month US Euro, 377-9-month US Euro, 378-12-month US Euro, 379-3-month US Euro, 380-6-month US Euro, 381-9-month US Euro, 382-12-month US Euro, 383-3-month US Euro, 384-6-month US Euro, 385-9-month US Euro, 386-12-month US Euro, 387-3-month US Euro, 388-6-month US Euro, 389-9-month US Euro, 390-12-month US Euro, 391-3-month US Euro, 392-6-month US Euro, 393-9-month US Euro, 394-12-month US Euro, 395-3-month US Euro, 396-6-month US Euro, 397-9-month US Euro, 398-12-month US Euro, 399-3-month US Euro, 400-6-month US Euro, 401-9-month US Euro, 402-12-month US Euro, 403-3-month US Euro, 404-6-month US Euro, 405-9-month US Euro, 406-12-month US Euro, 407-3-month US Euro, 408-6-month US Euro, 409-9-month US Euro, 410-12-month US Euro, 411-3-month US Euro, 412-6-month US Euro, 413-9-month US Euro, 414-12-month US Euro, 415-3-month US Euro, 416-6-month US Euro, 417-9-month US Euro, 418-12-month US Euro, 419-3-month US Euro, 420-6-month US Euro, 421-9-month US Euro, 422-12-month US Euro, 423-3-month US Euro, 424-6-month US Euro, 425-9-month US Euro, 426-12-month US Euro, 427-3-month US Euro, 428-6-month US Euro, 429-9-month US Euro, 430-12-month US Euro, 431-3-month US Euro, 432-6-month US Euro, 433-9-month US Euro, 434-12-month US Euro, 435-3-month US Euro, 436-6-month US Euro, 437-9-month US Euro, 438-12-month US Euro, 439-3-month US Euro, 440-6-month US Euro, 441-9-month US Euro, 442-12-month US Euro, 443-3-month US Euro, 444-6-month US Euro, 445-9-month US Euro, 446-12-month US Euro, 447-3-month US Euro, 448-6-month US Euro, 449-9-month US Euro, 450-12-month US Euro, 451-3-month US Euro, 452-6-month US Euro, 453-9-month US Euro, 454-12-month US Euro, 455-3-month US Euro, 456-6-month US Euro, 457-9-month US Euro, 458-12-month US Euro, 459-3-month US Euro, 460-6-month US Euro, 461-9-month US Euro, 462-12-month US Euro, 463-3-month US Euro, 464-6-month US Euro, 465-9-month US Euro, 466-12-month US Euro, 467-3-month US Euro, 468-6-month US Euro, 469-9-month US Euro, 470-12-month US Euro, 471-3-month US Euro, 472-6-month US Euro, 473-9-month US Euro, 474-12-month US Euro, 475-3-month US Euro, 476-6-month US Euro, 477-9-month US Euro, 478-12-month US Euro, 479-3-month US Euro, 480-6-month US Euro, 481-9-month US Euro, 482-12-month US Euro, 483-3-month US Euro, 484-6-month US Euro, 485-9-month US Euro, 486-12-month US Euro, 487-3-month US Euro, 488-6-month US Euro, 489-9-month US Euro, 490-12-month US Euro, 491-3-month US Euro, 492-6-month US Euro, 493-9-month US Euro, 494-12-month US Euro, 495-3-month US Euro, 496-6-month US Euro, 497-9-month US Euro, 498-12-month US Euro, 499-3-month US Euro, 500-6-month US Euro, 501-9-month US Euro, 502-12-month US Euro, 503-3-month US Euro, 504-6-month US Euro, 505-9-month US Euro, 506-12-month US Euro, 507-3-month US Euro, 508-6-month US Euro, 509-9-month US Euro, 510-12-month US Euro, 511-3-month US Euro, 512-6-month US Euro, 513-9-month US Euro, 514-12-month US Euro, 515-3-month US Euro, 516-6-month US Euro, 517-9-month US Euro, 518-12-month US Euro, 519-3-month US Euro, 520-6-month US Euro, 521-9-month US Euro, 522-12-month US Euro, 523-3-month US Euro, 524-6-month US Euro, 525-9-month US Euro, 526-12-month US Euro, 527-3-month US Euro, 528-6-month US Euro, 529-9-month US Euro, 530-12-month US Euro, 531-3-month US Euro, 532-6-month US Euro, 533-9-month US Euro, 534-12-month US Euro, 535-3-month US Euro, 536-6-month US Euro, 537-9-month US Euro, 538-12-month US Euro, 539-3-month US Euro, 540-6-month US Euro, 541-9-month US Euro, 542-12-month US Euro, 543-3-month US Euro, 544-6-month US Euro, 545-9-month US Euro, 546-12-month US Euro, 547-3-month US Euro, 548-6-month US Euro, 549-9-month US Euro, 550-12-month US Euro, 551-3-month US Euro, 552-6-month US Euro, 553-9-month US Euro, 554-12-month US Euro, 555-3-month US Euro, 556-6-month US Euro, 557-9-month US Euro, 558-12-month US Euro, 559-3-month US Euro, 560-6-month US Euro, 561-9-month US Euro, 562-12-month US Euro, 563-3-month US Euro, 564-6-month US Euro, 565-9-month US Euro, 566-12-month US Euro, 567-3-month US Euro, 568-6-month US Euro, 569-9-month US Euro, 570-12-month US Euro, 571-3-month US Euro, 572-6-month US Euro, 573-9-month US Euro, 574-12-month US Euro, 575-3-month US Euro, 576-6-month US Euro, 577-9-month US Euro, 578-12-month US Euro, 579-3-month US Euro, 580-6-month US Euro, 581-9-month US Euro, 582-12-month US Euro, 583-3-month US Euro, 584-6-month US Euro, 585-9-month US Euro, 586-12-month US Euro, 587-3-month US Euro, 588-6-month US Euro, 589-9-month US Euro, 590-12-month US Euro, 591-3-month US Euro, 592-6-month US Euro, 593-9-month US Euro, 594-12-month US Euro, 595-3-month US Euro, 596-6-month US Euro, 597-9-month US Euro, 598-12-month US Euro, 599-3-month US Euro, 600-6-month US Euro, 601-9-month US Euro, 602-12-month US Euro, 603-3-month US Euro, 604-6-month US Euro, 605-9-month US Euro, 606-12-month US Euro, 607-3-month US Euro, 608-6-month US Euro, 609-9-month US Euro, 610-12-month US Euro, 611-3-month US Euro, 612-6-month US Euro, 613-9-month US Euro, 614-12-month US Euro, 615-3-month US Euro, 616-6-month US Euro, 617-9-month US Euro, 618-12-month US Euro, 619-3-month US Euro, 620-6-month US Euro, 621-9-month US Euro, 622-12-month US Euro, 623-3-month US Euro, 624-6-month US Euro, 625-9-month US Euro, 626-12-month US Euro, 627-3-month US Euro, 628-6-month US Euro, 629-9-month US Euro, 630-12-month US Euro, 631-3-month US Euro, 632-6-month US Euro, 633-9-month US Euro, 634-12-month US Euro, 635-3-month US Euro, 636-6-month US Euro, 637-9-month US Euro, 638-12-month US Euro, 639-3-month US Euro, 640-6-month US Euro, 641-9-month US Euro, 642-12-month US Euro, 643-3-month US Euro, 644-6-month US Euro, 645-9-month US Euro, 646-12-month US Euro, 647-3-month US Euro, 648-6-month US Euro, 649-9-month US Euro, 650-12-month US Euro, 651-3-month US Euro, 652-6-month US Euro, 653-9-month US Euro, 654-12-month US Euro, 655-3-month US Euro, 656-6-month US Euro, 657-9-month US Euro, 658-12-month US Euro, 659-3-month US Euro, 660-6-month US Euro, 661-9-month US Euro, 662-12-month US Euro, 663-3-month US Euro, 664-6-month US Euro, 665-9-month US Euro, 666-12-month US Euro, 667-3-month US Euro, 668-6-month US Euro, 669-9-month US Euro, 670-12-month US Euro, 671-3-month US Euro, 672-6-month US Euro, 673-9-month US Euro, 674-12-month US Euro, 675-3-month US Euro, 676-6-month US Euro, 677-9-month US Euro, 678-12-month US Euro, 679-3-month US Euro, 680-6-month US Euro, 681-9-month US Euro, 682-12-month US Euro, 683-3-month US Euro, 684-6-month US Euro, 685-9-month US Euro, 686-12-month US Euro, 687-3-month US Euro, 688-6-month US Euro, 689-9-month US Euro, 690-12-month US Euro, 691-3-month US Euro, 692-6-month US Euro, 693-9-month US Euro, 694-12-month US Euro, 695-3-month US Euro, 696-6-month US Euro, 697-9-month US Euro, 698-12-month US Euro, 699-3-month US Euro, 700-6-month US Euro, 701-9-month US Euro, 702-12-month US Euro, 703-3-month US Euro, 704-6-month US Euro, 705-9-month US Euro, 706-12-month US Euro, 707-3-month US Euro, 708-6-month US Euro, 709-9-month US Euro, 710-12-month US Euro, 711-3-month US Euro, 712-6-month US Euro, 713-9-month US Euro, 714-12-month US Euro, 715-3-month US Euro, 716-6-month US Euro, 717-9-month US Euro, 718-12-month US Euro, 719-3-month US Euro, 720-6-month US Euro, 721-9-month US Euro, 722-12-month US Euro, 723-3-month US Euro, 724-6-month US Euro, 725-9-month US Euro, 726-12-month US Euro, 727-3-month US Euro, 728-6-month US Euro, 729-9-month US Euro, 730-12-month US Euro, 731-3-month US Euro, 732-6-month US Euro, 733-9-month US Euro, 734-12-month US Euro, 735-3-month US Euro, 736-6-month US Euro, 737-9-month US Euro, 738-12-month US Euro, 739-3-month US Euro, 740-6-month US Euro, 741-9-month US Euro, 742-12-month US Euro, 743-3-month US Euro, 744-6-month US Euro, 745-9-month US Euro, 746-12-month US Euro, 747-3-month US Euro, 748-6-month US Euro, 749-9-month US Euro, 750-12-month US Euro, 751-3-month US Euro, 752-6-month US Euro, 753-9-month US Euro, 754-12-month US Euro, 755-3-month US Euro, 756-6-month US Euro, 757-9-month US Euro, 758-12-month US Euro, 759-3-month US Euro, 760-6-month US Euro, 761-9-month US Euro, 762-12-month US Euro, 763-3-month US Euro, 764-6-month US Euro,

CURRENCIES & MONEY

Sterling fails to capitalise on rate rise

MARKETS REPORT

By Susanna Voyle

Yesterday's surprise rise in interest rates by the Bank of England sent sterling on a roller coaster ride. After an initial surge against both the D-Mark and the dollar, the pound fell back after the markets concluded that this was the last rise in the interest rate cycle.

The fact that the rate rise was a surprise was reflected in the fact that sterling bounced immediately, said Jeremy Hawkins, chief European economist at Bank of America in London. "But it fell because this is the last rise of the cycle - so it's back to stage one. A lot of people believe the rate rise wasn't warranted in the first place."

At one point the pound rose nearly 3 pence to DM2.5298 - but fell back to end the day down almost 0.5 of a penny at DM2.5268.

Against the dollar the pound rose more than 1.5 cents to \$1.6550 before closing at \$1.6425, a gain of nearly 0.5 of a cent on the day.

The 25 basis point rise in the 7.5 per cent, along with Germany's strong gross domestic product figures, gave the markets a change of focus after the fixation with dollar/yen was put on hold. Traders were wary ahead of next week's meeting of the Group of Seven leading industrialised nations which could lead to central bank intervention to prop up the flagging yen. The dollar closed at ¥138.255, down marginally from ¥138.265.

The Bank of England's rate rise brought consensus from analysts who saw it as

the top of the interest rate cycle. They agreed that a cut was unlikely before the end of the year - and that then it would only be likely to be a cut back to 7.5 per cent.

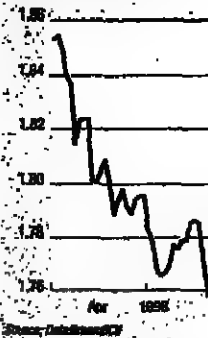
Alison Cottrell, international economist at Paine Webber in London, said she still felt the UK would end the year on 7.5 per cent. The Bank was now "just going down a different path to get there".

She said the members of the Bank's Monetary Policy Committee, who have been categorised as divided between "hawks" and "doves" were probably not as clearly differentiated as they seemed. "It's really a question of 'hawks' versus 'doves'," she said. "It's now the 'flexible friends' versus the 'stabilisers'."

The D-Mark was bolstered by a cocktail of factors. Analysts cited receding fears of a devaluation of the ruble, the stronger-than-expected

Dollar

Against the D-Mark (DM per \$)



GDP figures and the leak of

figures which showed a bigger-than-expected fall in unemployment for May. The dollar closed at DM1.7637, a loss of almost a penny on the day. The yen ended the day at DM78.38, against DM78.04.

"Part of it is the unwinding of some of those worries that have been circling round the Russian situa-

tion," said Steve Hannah at IBI International in London. "The market has backed away from the view that Russia is going to collapse."

Avinash Persaud, global head of currency research at J.P. Morgan in London, said any lingering fears that remained over Russia could still boost the D-Mark as people pulled out of Eastern European currencies.

Analysts said the decision by the Swedish central bank to cut its repo rate by 25 basis points to 4.1 per cent was based on its exposure to troubled Asian markets. The krona closed at S1.292 against S1.288 on Wednesday.

OTHER CURRENCIES

The South African central bank cut its daily repo rate by 50 basis points to 17.5 per cent on signs that local financial markets were stabilising. The Reserve Bank was expected to ease in at the end of last month to underpin the rand after it was battered in the wake of the Asian economic crisis and the Russian financial problems. The rand retraced from a record low of R5.2155 on Monday to close at R5.108 on Wednesday. Yesterday it closed at R5.116.

WORLD INTEREST RATES

MONEY RATES

Country	Rate	Country	Rate	Country	Rate
Belgium	3.00	France	3.00	Germany	3.00
Italy	3.00	Netherlands	3.00	Spain	3.00
Sweden	3.00	Switzerland	3.00	UK	3.00
US	3.00				

EURO CURRENCY INTEREST RATES

Country	Rate	Country	Rate	Country	Rate
Belgium	3.00	France	3.00	Germany	3.00
Italy	3.00	Netherlands	3.00	Spain	3.00
Sweden	3.00	Switzerland	3.00	UK	3.00
US	3.00				

EURO CURRENCY INTEREST RATES

Country	Rate	Country	Rate	Country	Rate
Belgium	3.00	France	3.00	Germany	3.00
Italy	3.00	Netherlands	3.00	Spain	3.00
Sweden	3.00	Switzerland	3.00	UK	3.00
US	3.00				

EURO CURRENCY INTEREST RATES

Country	Rate	Country	Rate	Country	Rate
Belgium	3.00	France	3.00	Germany	3.00
Italy	3.00	Netherlands	3.00	Spain	3.00
Sweden	3.00	Switzerland	3.00	UK	3.00
US	3.00				

EURO CURRENCY INTEREST RATES

Country	Rate	Country	Rate	Country	Rate
Belgium	3.00	France	3.00	Germany	3.00
Italy	3.00	Netherlands	3.00	Spain	3.00
Sweden	3.00	Switzerland	3.00	UK	3.00
US	3.00				

EURO CURRENCY INTEREST RATES

Country	Rate	Country	Rate	Country	Rate
Belgium	3.00	France	3.00	Germany	3.00
Italy	3.00	Netherlands	3.00	Spain	3.00
Sweden	3.00	Switzerland	3.00	UK	3.00
US	3.00				

EURO CURRENCY INTEREST RATES

Country	Rate	Country	Rate	Country	Rate
Belgium	3.00	France	3.00	Germany	3.00
Italy	3.00	Netherlands	3.00	Spain	3.00
Sweden	3.00	Switzerland	3.00	UK	3.00
US	3.00				

EURO CURRENCY INTEREST RATES

Country	Rate	Country	Rate	Country	Rate
Belgium	3.00	France	3.00	Germany	3.00
Italy	3.00	Netherlands	3.00	Spain	3.00
Sweden	3.00	Switzerland	3.00	UK	3.00
US	3.00				

EURO CURRENCY INTEREST RATES

Country	Rate	Country	Rate	Country	Rate
Belgium	3.00	France	3.00	Germany	3.00
Italy	3.00	Netherlands	3.00	Spain	3.00
Sweden	3.00	Switzerland	3.00	UK	3.00
US	3.00				

EURO CURRENCY INTEREST RATES

Country	Rate	Country	Rate	Country	Rate
Belgium	3.00	France	3.00	Germany	3.00
Italy	3.00	Netherlands	3.00	Spain	3.00
Sweden	3.00	Switzerland	3.00	UK	3.00
US	3.00				

EURO CURRENCY INTEREST RATES

Country	Rate	Country	Rate	Country	Rate
Belgium	3.00	France	3.00	Germany	3.00
Italy	3.00	Netherlands	3.00	Spain	3.00
Sweden	3.00	Switzerland	3.00	UK	3.00
US	3.00				

EURO CURRENCY INTEREST RATES

Country	Rate	Country	Rate	Country	Rate
Belgium	3.00	France	3.00	Germany	3.00
Italy	3.00	Netherlands	3.00	Spain	3.00
Sweden	3.00	Switzerland	3.00	UK	3.00
US	3.00				

EURO CURRENCY INTEREST RATES

Country	Rate	Country	Rate	Country	Rate
Belgium	3.00	France	3.00	Germany	3.00
Italy	3.00	Netherlands	3.00	Spain	3.00
Sweden	3.00	Switzerland	3.00	UK	3.00
US	3.00				

EURO CURRENCY INTEREST RATES

Country	Rate	Country	Rate	Country	Rate
Belgium	3.00	France	3.00	Germany	3.00
Italy	3.00	Netherlands	3.00	Spain	3.00
Sweden	3.00	Switzerland	3.00	UK	3.00
US	3.00				

EURO CURRENCY INTEREST RATES

Country	Rate	Country	Rate	Country	Rate
Belgium	3.00	France	3.00	Germany	3.00
Italy	3.00	Netherlands	3.00	Spain	3.00
Sweden	3.00	Switzerland	3.00	UK	3.00
US	3.00				

EURO CURRENCY INTEREST RATES

Country	Rate	Country	Rate	Country	Rate
Belgium	3.00	France	3.00	Germany	3.00
Italy	3.00	Netherlands	3.00	Spain	3.00
Sweden	3.00	Switzerland	3.00	UK	3.00
US	3.00				

EURO CURRENCY INTEREST RATES

Country	Rate	Country	Rate	Country	Rate
Belgium	3.00	France	3.00	Germany	3.00
Italy	3.00	Netherlands	3.00	Spain	3.00
Sweden	3.00	Switzerland	3.00	UK	3.00
US	3.00				

EURO CURRENCY INTEREST RATES

Country	Rate	Country	Rate	Country	Rate
Belgium	3.00	France	3.00	Germany	3.00
Italy	3.00	Netherlands	3.00	Spain	3.00
Sweden	3.00	Switzerland	3.00	UK	3.00
US	3.00				

EURO CURRENCY INTEREST RATES

Country	Rate	Country	Rate	Country	Rate
Belgium	3.00	France	3.00	Germany	3.00
Italy	3.00	Netherlands	3.00	Spain	3.00
Sweden	3.00	Switzerland	3.00	UK	3.00
US	3.00				

EURO CURRENCY INTEREST RATES

Country	Rate	Country	Rate	Country	Rate
Belgium	3.00	France	3.00	Germany	3.00
Italy	3.00	Netherlands	3.00	Spain	3.00
Sweden	3.00	Switzerland	3.00	UK	3.00
US	3.00				

EURO CURRENCY INTEREST RATES

Country	Rate	Country	Rate	Country	Rate
Belgium	3.00	France	3.00	Germany	3.00
Italy	3.00	Netherlands	3.00	Spain	3.00
Sweden	3.00	Switzerland	3.00	UK	3.00
US	3.00				

EURO CURRENCY INTEREST RATES

Country	Rate	Country	Rate	Country	Rate
Belgium	3.00	France	3.00	Germany	3.00
Italy	3.00	Netherlands	3.00	Spain	3.00
Sweden	3.00	Switzerland	3.00	UK	3.00
US	3.00				

EURO CURRENCY INTEREST RATES

Country	Rate	Country	Rate	Country	Rate
Belgium	3.00	France	3.00	Germany	3.00
Italy	3.00	Netherlands	3.00	Spain	3.00
Sweden	3.00	Switzerland	3.00	UK	3.00
US	3.00				

EURO CURRENCY INTEREST RATES

Country	Rate	Country	Rate	Country	Rate
Belgium	3.00	France	3.00	Germany	3.00
Italy	3.00	Netherlands	3.00	Spain	3.00
Sweden	3.00	Switzerland	3.00	UK	3.00
US	3.00				

POUND SPOT FORWARD AGAINST THE POUND

Country	Rate	Country	Rate	Country	Rate
Belgium	3.00	France	3.00	Germany	3.00
Italy	3.00	Netherlands	3.00	Spain	3.00
Sweden	3.00	Switzerland	3.00	UK	3.00
US	3.00				

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Country	Rate	Country	Rate	Country	Rate
Belgium	3.00	France	3.00	Germany	3.00
Italy	3.00	Netherlands	3.00	Spain	3.00
Sweden	3.00	Switzerland	3.00	UK	3.00
US	3.00				

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Country	Rate	Country	Rate	Country	Rate
Belgium	3.00	France	3.00	Germany	3.00
Italy	3.00	Netherlands	3.00	Spain	3.00
Sweden	3.00	Switzerland	3.00	UK	3.00
US	3.00				

EXCHANGE CROSS RATES

Country	Rate	Country	Rate	Country	Rate
Belgium	3.00	France	3.00	Germany	3.00
Italy	3.00	Netherlands	3.00	Spain	3.00
Sweden	3.00	Switzerland	3.00	UK	3.00
US	3.00				

EXCHANGE CROSS RATES

Country	Rate	Country	Rate	Country	Rate
Belgium	3.00	France	3.00	Germany	3.00
Italy	3.00	Netherlands	3.00	Spain	3.00
Sweden	3.00	Switzerland	3.00	UK	3.00
US	3.00				

EXCHANGE CROSS RATES

Country	Rate	Country	Rate	Country	Rate
Belgium	3.00	France	3.00	Germany	3.00
Italy	3.00	Netherlands	3.00	Spain	3.00
Sweden	3.00	Switzerland	3.00	UK	3.00
US	3.00				

EXCHANGE CROSS RATES

Country	Rate	Country	Rate	Country	Rate
Belgium	3.00	France	3.00	Germany	3.00
Italy	3.00	Netherlands	3.00	Spain	3.00
Sweden	3.00	Switzerland	3.00	UK	3.00
US	3.00				

EXCHANGE CROSS RATES

Country	Rate	Country	Rate	Country	Rate
Belgium	3.00	France	3.00	Germany	3.00
Italy	3.00	Netherlands	3.00	Spain	3.00
Sweden	3.00	Switzerland	3.00	UK	3.00
US	3.00				

EXCHANGE CROSS RATES

Country	Rate	Country	Rate	Country	Rate
Belgium	3.00	France	3.00	Germany	3.00
Italy	3.00	Netherlands	3.00	Spain	3.00
Sweden	3.00	Switzerland	3.00	UK	3.00
US	3.00				

EXCHANGE CROSS RATES

52825	0	...
Est. vol. total, Calls 19183 Pds 43471. Previous day's open int. Calls 4324		
<hr/>		
<hr/>		

COMMODITIES & AGRICULTURE

Oil jumps as ministers meet in Amsterdam

By Robert Corzine

Crude oil prices rose sharply yesterday as oil ministers and senior officials from Saudi Arabia, Venezuela and Mexico met in Amsterdam amid speculation that they are trying to orchestrate another round of global production cuts to shore up sagging markets.

The benchmark Brent Blend contract for July delivery was quoted at \$14.63

a barrel in late trading in London, up 59 cents on Wednesday's close.

It had earlier reached an intraday high of \$14.76 on reports of the Amsterdam meeting, which brought together the three countries that signed the Riyadh Pact in March.

That agreement formed the basis for a co-ordinated global cut in output by members of the Organisation of Petroleum Exporting Coun-

tries and big non-Opec producers, such as Norway and Mexico.

Analysts say the original round of cuts succeeded in putting a floor under oil prices, but one that is too low to provide much financial comfort to cash-strapped producers, which have seen average prices fall by about \$5 a barrel this year.

Although the Amsterdam meeting was convened without any public announce-

ment, the three countries have been in regular contact in recent weeks, and a meeting in the run-up to the next Opec meeting on June 24 was expected, analysts say.

Nevertheless, yesterday's gathering triggered much speculation on the size of any additional cuts that will be needed to push prices above the \$14 to \$16 range for Brent blend.

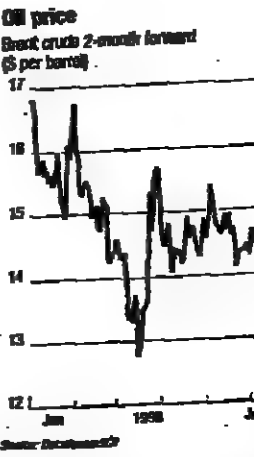
Many analysts say a "soft" cut of 500,000 barrels a day is

already factored into prices. "They would have to cut more to jolt the market," according to Gary Ross, a consultant at the Pira energy group in New York.

But even a "soft" cut of 750,000 b/d might only add a dollar or so to prices, he said. Other analysts believe new Opec cuts from dubious production levels will not affect the over-supply situation in key areas of the US, where prices are largely set

"They need to send a brutal signal to the market," said Robert Mahro, director of the Oxford Institute for Energy Studies.

Yesterday, he suggested that big producers "slash" nominations without notice and stop all spot sales except those with a \$5 a barrel premium. However, he conceded that such a radical plan would require "considerable courage" on the part of producers.



Tin comes close to \$6,000 level

MARKETS REPORT

By Kenneth Gooding

Tin, the star performer on the London Metal Exchange this year, came very close to breaking through the \$6,000 a tonne level yesterday but metal for delivery in three months eventually ended unchanged at \$5,980.

The premium for tin for immediate delivery, compared with three-month metal, was about \$80 a tonne. "The tightness in the physical market is caused by solid demand growth combined with a number of supply problems," said Alan Williamson in his Metals Update for Deutsche Morgan Grenfell.

He warned, however, that any further price rises are likely to be short-lived because the tin market is expected to have a supply surplus in the second half of the year. Exports from China are also expected to increase.

Mr Williamson forecast an average tin price of \$5,401 a tonne for the second half, against \$5,512 in the same period of 1997, and an average \$5,512 for 1998.

The International Grains Council has lifted its forecast of world coarse grain production by 8m to 806m tonnes. The US maize harvest is put at 245m tonnes, or 7m more than in 1997. An expected drop in feed use in east Asia has caused the council to lower its world consumption forecast by 7m tonnes to 801m. Stocks are put at 135m tonnes, 19m more than initially forecast.

World wheat production is forecast to be unchanged at 592m tonnes while early indications are that consumption will exceed last year's record 587m to reach 599m tonnes. Wheat stocks are forecast to fall by 7m to 127m tonnes, but this would still be the second highest since 1983-84.

Sharp fall in Baltic cargo index

By Charles Batchelor, Transport Correspondent

The Baltic Freight Index, based on brokers' assessments of dry cargo freight rates on the most important international trade routes, fell nine points to an 11-year low of 908 yesterday.

Financial uncertainty in south-east Asia and a glut of new ships were behind the decline, brokers said.

The price of chartering vessels of 30,000dwt to 75,000dwt from northern Europe to east Asia has fallen to \$5,500 a day from \$8,000 a year ago, reflecting the inability of east Asian customers to finance purchases in the US and Europe.

Many of the ships now coming on to the market were ordered 18 to 24 months ago, when conditions were more buoyant.

With contracts for June/July/August delivery at a 100 points discount to the index, the signs are that further falls are likely, said Philippe van den Abele of Clarkson Securities, a freight derivatives broker.

The upturn covered by the index to show an improvement in rates is from east Asia to Europe and the US. Rates have risen to \$7,500 a day from \$5,000 a year ago.

Vinacoal faces struggle to maintain its market lead

Vietnam's state-owned coal group must overcome a shortage of investment and growing domestic demand, says Jonathan Birchall

In the ornate official meeting room at Vietnam's Coc Sau coal mine, small sculptures line the walls, each one made from a delicately carved and smoothly polished lump of coal.

"Vietnam's anthracite coal is of the highest quality in the world," says Tran Cong Cay, the mine's economic director. However, quality alone may not be enough to sustain Vietnam's recently attained position as the world's leading supplier of high-quality anthracite coal.

Since it was set up in a reorganisation of the state-owned mining sector in 1994, Vinacoal, the country's state-owned coal group, has pushed coal production up sharply, from 6.7m tonnes to 10.7m tonnes last year, adding an additional 1m tonnes to its exports.

Last year, it exported 3.6m tonnes of anthracite, roughly a third of the total world seaborne market.

Donn Vien Kien, Vinacoal general director, says the increase in output is due to a change in "business culture" and a new stress on international marketing efforts.

However, foreign coal industry executives say Vinacoal will struggle to sustain the level of exports into the coming decade, given a shortage of investment capital and growing domestic demand from the power and cement industries.

More than 90 per cent of Vietnam's coal production comes from the area around the Coc Sau open cast mine, in the north-eastern province of Quang Ninh.

Total anthracite reserves in Quang Ninh, where the French opened the first industrial mines early this century, are estimated at 3.3bn tonnes, all within a few miles of the coast.

Quang Ninh also lies adjacent to the unique limestone landscape of Halong Bay, Vietnam's most famous tourist site, a factor limiting development of the area's two main coal loading ports, at Hon Gai and Cam Pha.

Elsewhere, Vietnam has vast untouched reserves of steam-coal, estimated at

about 100bn tonnes, lying beneath the Red River delta in the north of the country.

The drawback is again the location; the deposits lie beneath the densely populated rice-paddies of the river delta, which are vulnerable to subsidence.

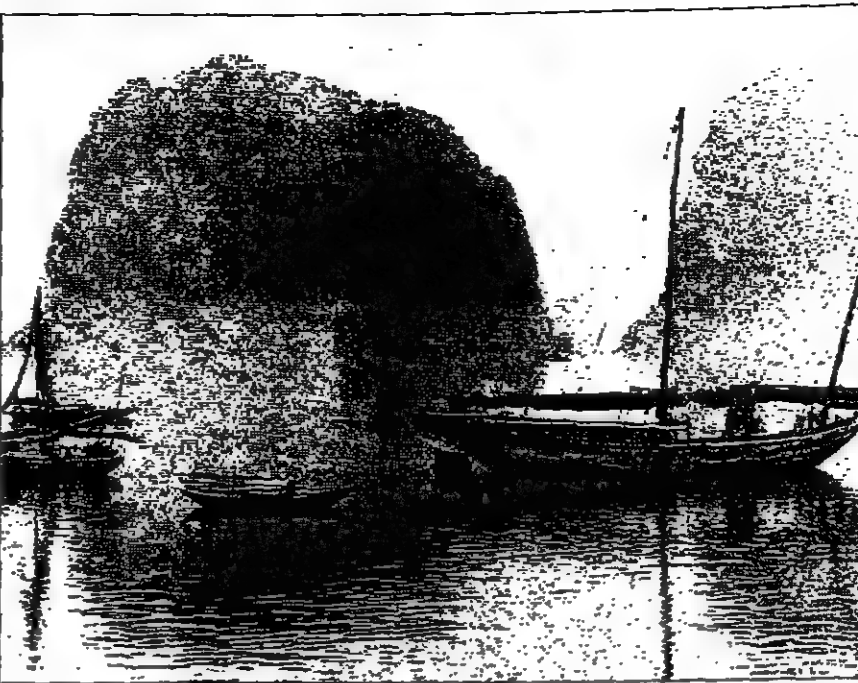
A UK-funded report on the industry, prepared in 1996 by International Mining Consultants (IMC), argued that Vinacoal should concentrate its investment on developing the Red River reserves.

Japanese experts have begun a five-year study of the deposits, and possible exploitation techniques; in the near term, Vinacoal remains focused on Quang Ninh's anthracite.

However, further increases in output will require substantial new investment, and further restructuring.

The Coc Sau mine in Quang Ninh, which produces 1.8m tonnes of coal a year, uses a 30-year-old conveyor belt system, and a mix of trucks from Russia, Japan and the US to move coal from the mine. It employs 4,000 of Vinacoal's total work-force of some 60,000.

Underground, the IMC report found "no evidence of



Halong Bay in Vietnam: beloved by tourists but too shallow for Panamax coal carriers. Photos: Pictures

systematic planning" in mine development, inadequate ventilation systems, and poor safety standards.

Shipping coal from Halong Bay also remains painfully slow, as standard Panamax carriers are too large to berth at the two main jetties, and must load from barges.

To fund modernisation, Vinacoal last year raised a \$30m syndicated loan via Citibank, and Mr Kien says it needs \$40m to \$50m a year in new investment.

So far, the corporation has remained wary of seeking direct foreign involvement

in the mines. A single small mine was leased to an Indonesian company in 1991, PT Vietminco Energitama; the mine has only this year begun producing coal.

Vinacoal is now seeking government permission to open-cast pit at Dang Cau. Son to a foreign mining company, to produce 1m tonnes a year over 20 years. However, foreign companies have expressed disappointment with the small scale of the proposed contract volume.

Foreign executives are also sceptical about Vinacoal's ability to fund an increase in the output of its underground mines, as surface reserves become harder to recover. The company says it wants 50 per cent of its coal to be produced underground by 2005, rising to 75 per cent after 2010. By then, domestic demand for coal from new power and cement plants is expected to rise to 12m.

Amid the delicate coal industry, Mr Cay is talking about using his high quality anthracite to supply cement plants.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Associated Metal Trading)

ALUMINIUM, 99.95% (per tonne)

	Close	High	Low	Settle
Close	1334.5-36.5	1362.42.5		
Previous	1335.5-36.5	1364.46		
High/Low	1333-32.5	1367/1358		
Open	1330-32.5	1360-34.1		
Settle	1330-32.5			
Open int.	554,733			
Total daily turnover	48,083			

ALUMINIUM ALLOY 5 (per tonne)

	Close	High	Low	Settle
Close	1230-35	1235-40		
Previous	1245-30	1245-30		
High/Low	1235-32	1245/1235		
Open	1235-32	1235-32		
Settle	1235-32			
Open int.	8,529			
Total daily turnover	955			

LEAD 99.99% (per tonne)

	Close	High	Low	Settle
Close	526-37	530-40		
Previous	542.5-31.5	545-31		
High/Low	526-37	545/535		
Open	526-37	545-31		
Settle	526-37			
Open int.	36,262			
Total daily turnover	13,473			

NICKEL 99.99% (per tonne)

	Close	High	Low	Settle
Close	4865-75	1945-80		
Previous	4845-75	1945-80		
High/Low	4845-75	1945/1940		
Open	4845-75	1945-80		
Settle	4845-75			
Open int.	52,833			
Total daily turnover	9,495			

TIN 99.99% (per tonne)

	Close	High	Low	Settle
Close	6020-40	5970-80		
Previous	6000-40	5990-80		
High/Low	6020-40	5990/6000		
Open	6020-40	5990-80		
Settle	6020-40			
Open int.	17,471			
Total daily turnover	4,135			

ZINC 99.99% (per tonne)

	Close	High	Low	Settle
Close	1027-30.5	1052-34		
Previous	1030-31.5	1056-37		
High/Low	1027-30.5	1056/1049		
Open	1027-30.5	1056-37		
Settle	1027-30.5			
Open int.	82,304			
Total daily turnover	15,242			

COPPER 99.99% (per tonne)

	Close	High	Low	Settle
Close	1600-41	1577-78		
Previous	1587-49	1570-45		
High/Low	1600-41	1577/1670		
Open	1600-41	1577-78		
Settle	1600-41			
Open int.	175,735			
Total daily turnover	44,855			

LME Closing CDS rate 1.625%

LME Closing CDS rate 1.625%

LME Closing CDS rate 1.625%

LME Closing CDS rate 1.625%

LME Closing CDS rate 1.625%

LME Closing CDS rate 1.625%

LME Closing CDS rate 1.625%

LME Closing CDS rate 1.625%

LME Closing CDS rate 1.625%

LME Closing CDS rate 1.625%

LME Closing CDS rate 1.625%

LME Closing CDS rate 1.625%

LME Closing CDS rate 1.625%

LME Closing CDS rate 1.625%

LME Closing CDS rate 1.625%

LME Closing CDS rate 1.625%

LME Closing CDS rate 1.625%

LME Closing CDS rate 1.625%

LME Closing CDS rate 1.625%

LME Closing CDS rate 1.625%

LME Closing CDS rate 1.625%

LME Closing CDS rate 1.625%

LME Closing CDS rate 1.625%

LME Closing CDS rate 1.625%

LME Closing CDS rate 1.625%

LME Closing CDS rate 1.625%

LME Closing CDS rate 1.625%

LME Closing CDS rate 1.625%

LME Closing CDS rate 1.625%

LME Closing CDS rate 1.625%

LME Closing CDS rate 1.625%

LME Closing CDS rate 1.625%

LME Closing CDS rate 1.625%

LME Closing CDS rate 1.625%

LME Closing CDS rate 1.625%

LME Closing CDS rate 1.625%

LME Closing CDS rate 1.625%

LME Closing CDS rate 1.625%

LME Closing CDS rate 1.625%

LME Closing CDS rate 1.625%

LME Closing CDS rate 1.625%

LME Closing CDS rate 1.625%

LME Closing CDS rate 1.625%

LME Closing CDS rate 1.625%

LME Closing CDS rate 1.625%

LME Closing CDS rate 1.625%

LME Closing CDS rate 1.625%

LME Closing CDS rate 1.625%

LME Closing CDS rate 1.625%

LME Closing CDS rate 1.625%

LME Closing CDS rate 1.625%

LME Closing CDS rate 1.625%

LME Closing CDS rate 1.625%

LME Closing CDS rate 1.625%

LME Closing CDS rate 1.625%

LME Closing CDS rate 1.625%

LME Closing CDS rate 1.625%

PRECIOUS METALS continued

LONDON METAL EXCHANGE

(Prices from Associated Metal Trading)

GOLD 999.9 (per ounce)

	Close	High	Low	Settle
Close	280.2	281.5	279.5	280.5
Previous	280.5	281.5	279.5	280.5
High/Low	280.2	281.5	279.5	280.5
Open	280.2	281.5	279.5	280.5
Settle	280.2			
Open int.	18,748			
Total daily turnover	32,359			

SILVER 999.9 (per ounce)

	Close	High	Low	Settle
Close	10.2	10.3	10.1	10.2
Previous	10.2	10.3	10.1	10.2
High/Low	10.2	10.3	10.1	10.2
Open	10.2	10.3	10.1	10.2
Settle	10.2			
Open int.	1,111			
Total daily turnover	1,111			

PLATINUM 999.9 (per ounce)


	Close	High	Low	Settle
Close	562.7	564.0	561.0	562.5
Previous	562.7	564.0	561.0	562.5
High/Low	562.7	564.0	561.0	562.5
Open	562.7	564.0	561.0	562.5
Settle	562.7			
Open int.	1,111			
Total daily turnover	1,111			

PALLADIUM 999.9 (per ounce)

	Close	High	Low	Settle
Close	279.5	280.0	279.0	279.5
Previous	279.5	280.0	279.0	279.5
High/Low	279.5	280.0	279.0	279.5
Open	279.5	280.0	279.0	279.5
Settle	279.5			

FT MANAGED FUNDS SERVICE[illegible]

هكذا من الاعمال

 OYSTER

EUROPE VALUE

+ 156,8 %*

Year to date performance: + 40,1% in USD

The OYSTER FUND - Europe Value
Identifies the best values throughout Europe.

FOR DISCUSSION:
BANQUE SYZ & CO SA
Rue du Rhône 30 - Geneva
Contact: Monique Boller
TEL: (+41) 22 818.08.13
Fax: (+41) 22 310.08.80

www.oyster.lu

* Performance shown 1.02.95 to 27.03.96 in USD.
Past performance is not necessarily indicative of future results.

Interest rate rise causes limited damage to equities

MARKET REPORT

By Steve Thompson,
UK Stock Market Editor

The 25 basis points increase in UK interest rates to 7.5 per cent hit the London equity market hard and was described by dealers and strategists as a real surprise. But the damage to share prices proved remarkably slight at the end of a tense trading session.

The FTSE 100 index ended the day 37.6 off at 3,560.8, well above its worst level of 3,520.8, down 7.6 in the afternoon, dealers adopted a

rather sanguine view. "It was a real shock, one of the worst we've had in recent weeks, but the market coped exceptionally well," said a senior salesman at one leading stockbroker.

"The view around the market is that although we've got worries about the impact of the rate rise we've also got the prospect of much more merger and acquisition activity as a counterbalance. My fancy is that we'll do nothing more than hold in the 5,700 to 6,000 range with the chances that a couple of FTSE 100 bids will drive the index clear of 6,000."

He cited news of a bid approach for Vaux Group, the Sunderland-based brewer, as a classic example of the takeover frenzy that has encompassed the UK mid and smallcap stocks.

Other traders pointed out that the interest rate news tended to choke off demand for the leaders, but not for the market's second-liners and the smallcaps, although he insisted that trend might not last much longer if the market continues to slide.

He also pointed out that the Footsie and FTSE 250 had tended to converge recently, the leaders coming

off and 250s moving ahead. That trend usually reverses when the levels of the two indices meet.

The FTSE 250 index settled 1.2 firmer at 5,921.8, a new record closing high, having touched an intra-day peak of 5,934.5 at midday.

The FTSE SmallCap, meanwhile, finished 1.8 off at 2,787.3, off its worst, but always in negative ground.

Discussing the decision by the Bank of England's monetary policy committee, Richard Jeffrey, the Charterhouse group economist who has been one of the market's interest rate hawks, said

"given the impact of a 35 basis points rise, we should assume there will be further increases, possibly to 8 per cent."

"The delay in tightening policy led to worries that a hard landing is much more likely, with all the worries that brings for the stock market."

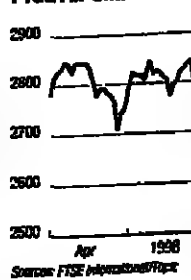
The fears of a hard landing were also mentioned by David McEneaney, the strategy team at IFT Alex Brown. He said the rate rise "was a big surprise; the feeling is that this is the last rise in the current cycle but everyone said that last month."

This will do little for corporate profitability, it adds to the pressure on the already labouring manufacturing sector. The earnings story is now much cloudier.

Turnover in equities was 824.5m shares, with the institutions said to be holding off from trading UK stocks until the US nonfarm payroll data is released this afternoon.

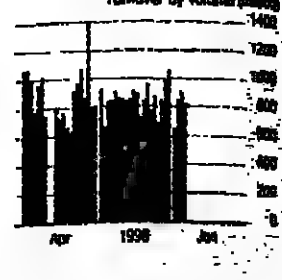
Some market observers fear a strong employment report could trigger a rate rise in the US after the next meeting of the US Federal Reserve's open market committee, scheduled for the end of the month.

FTSE All-Share Index



Source: FTSE International

Equity shares traded



Source: FTSE International

Indices and ratios

FTSE 100	3560.8	-37.6
FTSE 250	5921.8	+1.2
FTSE SmallCap	2787.3	-1.8
FTSE All-Share	2800.0	-13.57
FTSE All-Share yield	2.81	2.79

Best performing sectors

1. Alcoholic Beverages	+1.7
2. Transport	+1.1
3. Water	+0.8
4. Retailers	+0.5
5. Support Services	+0.4

Worst performing sectors

1. Extractives	-2.1
2. Chemicals	-1.8
3. Pharmaceuticals	-1.8
4. Electronic & Elec	-1.7
5. Diversified Inds	-1.4

FUTURES AND OPTIONS

FTSE 100 INDEX FUTURES (LFF) £10 per full index point									
	Open	Sett	Change	High	Low	Est. Vol	Open Int.		
Jun	3560.0	3560.0	-11.0	3560.0	3560.0	0	0		
Jul	3560.0	3560.0	-11.0	3560.0	3560.0	0	0		

FTSE 250 INDEX FUTURES (LFF) £10 per full index point									
	Open	Sett	Change	High	Low	Est. Vol	Open Int.		
Jun	5940.0	5940.0	-22.0	5940.0	5940.0	0	0		
Jul	5940.0	5940.0	-22.0	5940.0	5940.0	0	0		

FTSE 100 INDEX OPTION (LFF) £10 per full index point									
	Open	Sett	Change	High	Low	Est. Vol	Open Int.		
Jun	3560.0	3560.0	-11.0	3560.0	3560.0	0	0		
Jul	3560.0	3560.0	-11.0	3560.0	3560.0	0	0		

FTSE 250 INDEX OPTION (LFF) £10 per full index point									
	Open	Sett	Change	High	Low	Est. Vol	Open Int.		
Jun	5940.0	5940.0	-22.0	5940.0	5940.0	0	0		
Jul	5940.0	5940.0	-22.0	5940.0	5940.0	0	0		

FTSE 100 INDEX OPTION (LFF) £10 per full index point									
	Open	Sett	Change	High	Low	Est. Vol	Open Int.		
Jun	3560.0	3560.0	-11.0	3560.0	3560.0	0	0		
Jul	3560.0	3560.0	-11.0	3560.0	3560.0	0	0		

FTSE 250 INDEX OPTION (LFF) £10 per full index point									
	Open	Sett	Change	High	Low	Est. Vol	Open Int.		
Jun	5940.0	5940.0	-22.0	5940.0	5940.0	0	0		
Jul	5940.0	5940.0	-22.0	5940.0	5940.0	0	0		

FTSE 100 INDEX OPTION (LFF) £10 per full index point									
	Open	Sett	Change	High	Low	Est. Vol	Open Int.		
Jun	3560.0	3560.0	-11.0	3560.0	3560.0	0	0		
Jul	3560.0	3560.0	-11.0	3560.0	3560.0	0	0		

FTSE 250 INDEX OPTION (LFF) £10 per full index point									
	Open	Sett	Change	High	Low	Est. Vol	Open Int.		
Jun	5940.0	5940.0	-22.0	5940.0	5940.0	0	0		
Jul	5940.0	5940.0	-22.0	5940.0	5940.0	0	0		

FTSE 100 INDEX OPTION (LFF) £10 per full index point									
	Open	Sett	Change	High	Low	Est. Vol	Open Int.		
Jun	3560.0	3560.0	-11.0	3560.0	3560.0	0	0		
Jul	3560.0	3560.0	-11.0	3560.0	3560.0	0	0		

FTSE 250 INDEX OPTION (LFF) £10 per full index point									
	Open	Sett	Change	High	Low	Est. Vol	Open Int.		
Jun	5940.0	5940.0	-22.0	5940.0	5940.0	0	0		
Jul	5940.0	5940.0	-22.0	5940.0	5940.0	0	0		

FTSE 100 INDEX OPTION (LFF) £10 per full index point									
	Open	Sett	Change	High	Low	Est. Vol	Open Int.		
Jun	3560.0	3560.0	-11.0	3560.0	3560.0	0	0		
Jul	3560.0	3560.0	-11.0	3560.0	3560.0	0	0		

FTSE 250 INDEX OPTION (LFF) £10 per full index point									
	Open	Sett	Change	High	Low	Est. Vol	Open Int.		
Jun	5940.0	5940.0	-22.0	5940.0	5940.0	0	0		
Jul	5940.0	5940.0	-22.0	5940.0	5940.0	0	0		

FTSE 100 INDEX OPTION (LFF) £10 per full index point									
	Open	Sett	Change	High	Low	Est. Vol	Open Int.		
Jun	3560.0	3560.0	-11.0	3560.0	3560.0	0	0		
Jul	3560.0	3560.0	-11.0	3560.0	3560.0	0	0		

FTSE 250 INDEX OPTION (LFF) £10 per full index point									
	Open	Sett	Change	High	Low	Est. Vol	Open Int.		
Jun	5940.0	5940.0	-22.0	5940.0	5940.0	0	0		
Jul	5940.0	5940.0	-22.0	5940.0	5940.0	0	0		

FTSE 100 INDEX OPTION (LFF) £10 per full index point									
	Open	Sett	Change	High	Low	Est. Vol	Open Int.		
Jun	3560.0	3560.0	-11.0	3560.0	3560.0	0	0		
Jul	3560.0	3560.0	-11.0	3560.0	3560.0	0	0		

FTSE 250 INDEX OPTION (LFF) £10 per full index point									
	Open	Sett	Change	High	Low	Est. Vol	Open Int.		
Jun	5940.0	5940.0	-22.0	5940.0	5940.0	0	0		
Jul	5940.0	5940.0	-22.0	5940.0	5940.0	0	0		

FTSE 100 INDEX OPTION (LFF) £10 per full index point									
	Open	Sett	Change	High	Low	Est. Vol	Open Int.		
Jun	3560.0	3560.0	-11.0	3560.0	3560.0	0	0		
Jul	3560.0	3560.0	-11.0	3560.0	3560.0	0	0		

FTSE 250 INDEX OPTION (LFF) £10 per full index point									
	Open	Sett	Change	High	Low	Est. Vol	Open Int.		
Jun	5940.0	5940.0	-22.0	5940.0	5940.0	0	0		
Jul	5940.0	5940.0	-22.0	5940.0	5940.0	0	0		

FTSE 100 INDEX OPTION (LFF) £10 per full index point									
	Open	Sett	Change	High	Low	Est. Vol	Open Int.		
Jun	3560.0	3560.0	-11.0	3560.0	3560.0	0	0		
Jul	3560.0	3560.0	-11.0	3560.0	3560.0	0	0		

FTSE 250 INDEX OPTION (LFF) £10 per full index point									
	Open	Sett	Change	High	Low	Est. Vol	Open Int.		
Jun	5940.0	5940.0	-22.0	5940.0	5940.0	0	0		
Jul	5940.0	5940.0	-22.0	5940.0	5940.0	0	0		

FTSE 100 INDEX OPTION (LFF) £10 per full index point									
	Open	Sett	Change	High	Low	Est. Vol	Open Int.		
Jun	3560.0	3560.0	-11.0	3560.0	3560.0	0	0		
Jul	3560.0	3560.0	-11.0	3560.0	3560.0	0	0		

FTSE 250 INDEX OPTION (LFF) £10 per full index point									
	Open	Sett	Change	High	Low	Est. Vol	Open Int.		
Jun	5940.0	5940.0	-22.0	5940.0	5940.0	0	0		
Jul	5940.0	5940.0	-22.0	5940.0	5940.0	0	0		

FTSE 100 INDEX OPTION (LFF) £10 per full index point									
	Open	Sett	Change	High	Low	Est. Vol	Open Int.		
Jun	3560.0	3560.0	-11.0	3560.0	3560.0	0	0		
Jul	3560.0	3560.0	-11.0	3560.0	3560.0	0	0		

FTSE 250 INDEX OPTION (LFF) £10 per full index point									
	Open	Sett	Change	High	Low	Est. Vol	Open Int.		
Jun	5940.0	5940.0	-22.0	5940.0	5940.0	0	0		
Jul	5940.0	5940.0	-22.0	5940.0	5940.0	0	0		

FTSE 100 INDEX OPTION (LFF) £10 per full index point									
	Open	Sett	Change	High	Low	Est. Vol	Open Int.		
Jun	3560.0	3560.0	-11.0	3560.0	3560.0	0	0		
Jul	3560.0	3560.0	-11.0	3560.0	3560.0	0	0		

FTSE 250 INDEX OPTION (LFF) £10 per full index point									
	Open	Sett	Change	High	Low	Est. Vol	Open Int.		
Jun	5940.0	5940.0	-22.0	5940.0	5940.0	0	0		
Jul	5940.0	5940.0	-22.0	5940.0	5940.0	0	0		

FTSE 100 INDEX OPTION (LFF) £10 per full index point									
	Open	Sett	Change	High	Low	Est. Vol	Open Int.		
Jun	3560.0	3560.0	-11.0	3560.0	3560.0	0	0		
Jul	3560.0	3560.0	-11.0	3560.0	3560.0	0	0		

FTSE 250 INDEX OPTION (LFF) £10 per full index point									
	Open	Sett	Change	High	Low	Est. Vol	Open Int.		
Jun	5940.0	5940.0	-22.0	5940.0	5940.0	0	0		
Jul	5940.0	5940.0	-22.0	5940.0	5940.0	0	0		

FTSE 100 INDEX OPTION (LFF) £10 per full index point									
	Open	Sett	Change	High	Low	Est. Vol	Open Int.		
Jun	3560.0	3560.0	-11.0	3560.0	3560.0	0	0		
Jul	3560.0	3560.0	-11.0	3560.0	3560.0	0	0		

FTSE 250 INDEX OPTION (LFF) £10 per full index point									
	Open	Sett	Change	High	Low	Est. Vol	Open Int.		
Jun	5940.0	5940.0	-22.0	5940.0	5940.0	0	0		
Jul	5940.0	5940.0	-22.0	5940.0	5940.0	0	0		

FTSE 100 INDEX OPTION (LFF) £10 per full index point									
	Open	Sett	Change	High	Low	Est. Vol	Open Int.		
Jun	3560.0	3560.0	-11.0	3560.0	3560.0	0	0		
Jul	3560.0	3560.0	-11.0	3560.0	3560.0	0	0		

Sole US Dollars, Base Value: 1000.00 21/12/92. † Partial. Latest prices were unavailable for the editors.									
---	--	--	--	--	--	--	--	--	--

صكنا من الامل

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE									
Austria (Jan 4/98)									
ATX	1,250.00	1,240.00	1,250.00	1,240.00	+10.00	+0.80	1,250.00	1,240.00	1,250.00
Belgium (Jan 4/98)									
STOXX 50	3,200.00	3,180.00	3,200.00	3,180.00	+20.00	+0.60	3,200.00	3,180.00	3,200.00
France (Jan 4/98)									
CAC 40	4,500.00	4,480.00	4,500.00	4,480.00	+20.00	+0.40	4,500.00	4,480.00	4,500.00
Germany (Jan 4/98)									
DAX 100	3,800.00	3,780.00	3,800.00	3,780.00	+20.00	+0.50	3,800.00	3,780.00	3,800.00
Italy (Jan 4/98)									
FTSE MIB	10,000.00	9,980.00	10,000.00	9,980.00	+20.00	+0.20	10,000.00	9,980.00	10,000.00
Spain (Jan 4/98)									
IBEX 35	5,000.00	4,980.00	5,000.00	4,980.00	+20.00	+0.40	5,000.00	4,980.00	5,000.00
UK (Jan 4/98)									
FTSE 100	5,500.00	5,480.00	5,500.00	5,480.00	+20.00	+0.40	5,500.00	5,480.00	5,500.00
Netherlands (Jan 4/98)									
AEX	3,500.00	3,480.00	3,500.00	3,480.00	+20.00	+0.60	3,500.00	3,480.00	3,500.00
Sweden (Jan 4/98)									
OMX	1,500.00	1,480.00	1,500.00	1,480.00	+20.00	+1.30	1,500.00	1,480.00	1,500.00
Norway (Jan 4/98)									
BHELSE	1,000.00	980.00	1,000.00	980.00	+20.00	+2.00	1,000.00	980.00	1,000.00
Denmark (Jan 4/98)									
OMX	1,500.00	1,480.00	1,500.00	1,480.00	+20.00	+1.30	1,500.00	1,480.00	1,500.00
Finland (Jan 4/98)									
HEX	1,500.00	1,480.00	1,500.00	1,480.00	+20.00	+1.30	1,500.00	1,480.00	1,500.00
Poland (Jan 4/98)									
WSE	1,500.00	1,480.00	1,500.00	1,480.00	+20.00	+1.30	1,500.00	1,480.00	1,500.00
Czech Republic (Jan 4/98)									
PSE	1,500.00	1,480.00	1,500.00	1,480.00	+20.00	+1.30	1,500.00	1,480.00	1,500.00
Hungary (Jan 4/98)									
BSE	1,500.00	1,480.00	1,500.00	1,480.00	+20.00	+1.30	1,500.00	1,480.00	1,500.00
Slovakia (Jan 4/98)									
STOXX	1,500.00	1,480.00	1,500.00	1,480.00	+20.00	+1.30	1,500.00	1,480.00	1,500.00
Slovenia (Jan 4/98)									
STOXX	1,500.00	1,480.00	1,500.00	1,480.00	+20.00	+1.30	1,500.00	1,480.00	1,500.00
Greece (Jan 4/98)									
ATHEX	1,500.00	1,480.00	1,500.00	1,480.00	+20.00	+1.30	1,500.00	1,480.00	1,500.00
Portugal (Jan 4/98)									
BVL	1,500.00	1,480.00	1,500.00	1,480.00	+20.00	+1.30	1,500.00	1,480.00	1,500.00
Ireland (Jan 4/98)									
ISEQ	1,500.00	1,480.00	1,500.00	1,480.00	+20.00	+1.30	1,500.00	1,480.00	1,500.00
Luxembourg (Jan 4/98)									
STOXX	1,500.00	1,480.00	1,500.00	1,480.00	+20.00	+1.30	1,500.00	1,480.00	1,500.00
Switzerland (Jan 4/98)									
SIX	3,500.00	3,480.00	3,500.00	3,480.00	+20.00	+0.60	3,500.00	3,480.00	3,500.00
Austria (Jan 4/98)									
ATX	1,250.00	1,240.00	1,250.00	1,240.00	+10.00	+0.80	1,250.00	1,240.00	1,250.00
Belgium (Jan 4/98)									
STOXX 50	3,200.00	3,180.00	3,200.00	3,180.00	+20.00	+0.60	3,200.00	3,180.00	3,200.00
France (Jan 4/98)									
CAC 40	4,500.00	4,480.00	4,500.00	4,480.00	+20.00	+0.40	4,500.00	4,480.00	4,500.00
Germany (Jan 4/98)									
DAX 100	3,800.00	3,780.00	3,800.00	3,780.00	+20.00	+0.50	3,800.00	3,780.00	3,800.00
Italy (Jan 4/98)									
FTSE MIB	10,000.00	9,980.00	10,000.00	9,980.00	+20.00	+0.20	10,000.00	9,980.00	10,000.00
Spain (Jan 4/98)									
IBEX 35	5,000.00	4,980.00	5,000.00	4,980.00	+20.00	+0.40	5,000.00	4,980.00	5,000.00
UK (Jan 4/98)									
FTSE 100	5,500.00	5,480.00	5,500.00	5,480.00	+20.00	+0.40	5,500.00	5,480.00	5,500.00
Netherlands (Jan 4/98)									
AEX	3,500.00	3,480.00	3,500.00	3,480.00	+20.00	+0.60	3,500.00	3,480.00	3,500.00
Sweden (Jan 4/98)									
OMX	1,500.00	1,480.00	1,500.00	1,480.00	+20.00	+1.30	1,500.00	1,480.00	1,500.00
Norway (Jan 4/98)									
BHELSE	1,000.00	980.00	1,000.00	980.00	+20.00	+2.0			

THE EC

The Bank of England drew press comment and interest in the time it took to become subdued over the inflation looking

M:
as

It is
inter-
mone-
to lift
tory :
We n
hawk
econ-
be do
In
that
vote,
that
ident-
ties
outk
rem:
Men
depu
for r
at (t
pre-
T)
"Th
tary
aggr
suff
dow
inf:
rest
the
exc
con
T
dic
fro
cor
F
acr
an

[illegible]

هكذا من الاجل

THE EC

C

By Tlicher Economic
The Bank of England
drawn down interest
time in
The
become
subside
over the
inflation
looking

ANAL
Ma
as

By Rob Econom
It is
inter
more
to lift
tory
We
hawk
econ
be do
in that
vote,
that
ident
ties
out
remi
Mer
depu
for r
at the
preo
TI
"Th
ary
aggr
suff
dow
infr
rest
the
exc
con
T
dic
for
cor
i
an
an
=

STOCK MARKETS

Bourses soak up flood of rate and debt news

WORLD OVERVIEW
World markets were not short of news to absorb yesterday - ranging from an Indonesian debt deal to interest rate changes in three countries, writes Philip Coggan.

The surfeit of data left Asian markets mixed, while most European bourses finished lower.

While the Bank of England was increasing interest rates, two central banks managed to cut them - Sweden, which said it would reduce its repo rate by a quarter of a percentage point to 4.1 per cent next week, and South Africa, which saw a half-point drop. The South African move reflected a part-reversal of last week's two-point increase, designed to support the rand, while Sweden's cut was based on lower inflation forecasts.

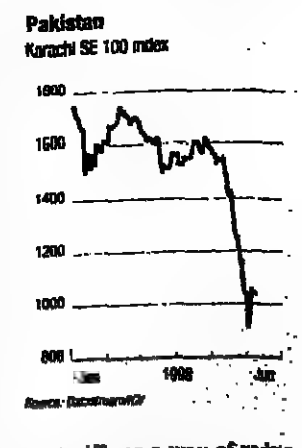
The Indonesian debt deal, which involved the creation of an Indonesian Debt Restructuring Agency, was seen as an encouraging start to the country's economic problems, but a long way from being the solution.

And to complete a busy news agenda, Germany and France both announced first-quarter gross domestic product figures. The data confirmed that the two economies were growing steadily, although rather more robustly in Germany.

Meanwhile, in the US the debate continued to rage about the earnings prospects of Intel, the world's largest semiconductor manufacturer and seen as one of the key technology stocks.

Sanctions fears unsettle Karachi

The erratic movement on Karachi's stock market yesterday was a clear reflection of worries about long-term prospects as the country braces itself for economic hardship in the wake of the Asian nuclear crisis.



Dow gains as techs rise on \$4.4bn deal

AMERICAS
Technology stocks returned to favour, helping to push the broad market modestly ahead by early afternoon, writes John Labate in New York.

"We're seeing strength across the board in technology, and it's being fuelled by merger news," said Dan Mathieson, head stock trader at D.E. Shaw Securities in New York.

The rebound in many major computer stocks came as a relief after Wednesday's steep sell-off for the sector led by concerns surrounding semiconductor producer Intel.

The day's biggest deal was the \$4.4bn takeover bid for DSC Communications by Alcatel Alsthom of France.

The deal sent DSC's shares soaring 40 per cent to \$27.50. Rumours of further takeovers gave a boost to many stocks, including internet company America Online, which gained 22% or 3.8 per cent to \$11.10 on speculation that telecom leader AT&T would make a bid.

When you start getting enough of these merger stories at a time, people start buying anything that might be considered a takeover candidate," Mr Mathieson added.

Although the US gives negligible economic assistance to Pakistan, it is now obliged under a 1994 law to vote against loans to Islamabad from multilateral agencies like the IMF. Japan, however, is Pakistan's largest aid donor and last year gave more than \$400m.

Analysts say concerns over sanctions have triggered selling by foreign investors, who are unwilling to take the risk of more losses. Some analysts feel recent volatility underlines the view that the market was increasingly being played by short-term investors rather than larger buyers such as foreign funds.

Rising tech company stocks sent the Nasdaq composite 15.83 higher to 1,758.13. Throughout most of the morning, however, many blue-chip shares were left behind until a turnaround was reached by midday.

In early afternoon trade

the Dow Jones Industrial Average had gained 8.23 to 8,812.02. The broader Standard & Poor's 500 also improved, gaining 3.16 to 1,066.88.

US Treasuries fell back after the UK raised interest rates. Prices were also lower in advance of today's monthly labour report. By early afternoon, the benchmark long bond was down 1/8 to 104 1/8, sending the yield up to 5.806 per cent.

Among Dow constituents, Chevron gained 1 1/4 to \$30 1/4, while IBM was 1 1/4 higher to \$115 1/4. Wal-Mart, the retail leader, gained 1/4 to \$56 1/4, while Cisco Systems rose 1/4 to \$76 1/4.

TORONTO had an indecisive morning session, slipping gently lower in dull turnover as the sellers picked off selected blue chips.

Analysts say concerns over sanctions have triggered selling by foreign investors, who are unwilling to take the risk of more losses. Some analysts feel recent volatility underlines the view that the market was increasingly being played by short-term investors rather than larger buyers such as foreign funds.

"The market just reflects what went on around us," said Ayesha Muzaffar, senior analyst for Hong Kong Shanghai Bank's investment banking. "The long-term view is very negative."

Bank and golds, the market's two most influential sectors, lost ground. At noon, the 300 composite index was off 30.44 at 7,472.80.

Soft bullion sent golds lower, trimming Barrick by 30 cents to C\$27.10 and Placer Dome by a similar amount to C\$17.50.

Banks traded narrowly. Royal Bank of Canada gave up 15 cents to C\$48.55 and Canadian Imperial 20 cents to C\$48.80. Bank of Nova Scotia lost 10 cents to C\$39.10.

On Wednesday US lawyers filed a class action law suit against Deutsche Bank and Dresdner Bank on behalf of Holocaust survivors.

Deutsche came off DM2 to DM153.40 and Dresdner DM1.45 to DM101.55 as rumours that the action could run to \$18bn ran round the market.

Vlag stayed firm, adding DM6 at DM1.111 following recent positive broker comment on the utilities sector. Volkswagen fell DM10 to DM1,508 after the company announced plans for its own luxury car should its bid for Rolls-Royce Motor Cars of the UK fail.

Higher oil prices provided initial support for OSLO, but the Total index finally closed almost unchanged, rising 0.33 to 1,296.34, after profit-taking.

The rise in oil prices on speculation that leading oil producers had convened yesterday to discuss cutting supply led some oil stocks higher.

AMSTERDAM lost ground, pushed down by weak financials. The AEX index fell 14.38 to 1,198.25.

On Wednesday US lawyers filed a class action law suit against Deutsche Bank and Dresdner Bank on behalf of Holocaust survivors.

Deutsche came off DM2 to DM153.40 and Dresdner DM1.45 to DM101.55 as rumours that the action could run to \$18bn ran round the market.

Vlag stayed firm, adding DM6 at DM1.111 following recent positive broker comment on the utilities sector. Volkswagen fell DM10 to DM1,508 after the company announced plans for its own luxury car should its bid for Rolls-Royce Motor Cars of the UK fail.

AMSTERDAM lost ground, pushed down by weak financials. The AEX index fell 14.38 to 1,198.25.

On Wednesday US lawyers filed a class action law suit against Deutsche Bank and Dresdner Bank on behalf of Holocaust survivors.

Higher oil prices provided initial support for OSLO, but the Total index finally closed almost unchanged, rising 0.33 to 1,296.34, after profit-taking.

The rise in oil prices on speculation that leading oil producers had convened yesterday to discuss cutting supply led some oil stocks higher.

AMSTERDAM lost ground, pushed down by weak financials. The AEX index fell 14.38 to 1,198.25.

On Wednesday US lawyers filed a class action law suit against Deutsche Bank and Dresdner Bank on behalf of Holocaust survivors.

Deutsche came off DM2 to DM153.40 and Dresdner DM1.45 to DM101.55 as rumours that the action could run to \$18bn ran round the market.

Vlag stayed firm, adding DM6 at DM1.111 following recent positive broker comment on the utilities sector. Volkswagen fell DM10 to DM1,508 after the company announced plans for its own luxury car should its bid for Rolls-Royce Motor Cars of the UK fail.

AMSTERDAM lost ground, pushed down by weak financials. The AEX index fell 14.38 to 1,198.25.

On Wednesday US lawyers filed a class action law suit against Deutsche Bank and Dresdner Bank on behalf of Holocaust survivors.

Higher oil prices provided initial support for OSLO, but the Total index finally closed almost unchanged, rising 0.33 to 1,296.34, after profit-taking.

The rise in oil prices on speculation that leading oil producers had convened yesterday to discuss cutting supply led some oil stocks higher.

AMSTERDAM lost ground, pushed down by weak financials. The AEX index fell 14.38 to 1,198.25.

On Wednesday US lawyers filed a class action law suit against Deutsche Bank and Dresdner Bank on behalf of Holocaust survivors.

Deutsche came off DM2 to DM153.40 and Dresdner DM1.45 to DM101.55 as rumours that the action could run to \$18bn ran round the market.

Vlag stayed firm, adding DM6 at DM1.111 following recent positive broker comment on the utilities sector. Volkswagen fell DM10 to DM1,508 after the company announced plans for its own luxury car should its bid for Rolls-Royce Motor Cars of the UK fail.

AMSTERDAM lost ground, pushed down by weak financials. The AEX index fell 14.38 to 1,198.25.

On Wednesday US lawyers filed a class action law suit against Deutsche Bank and Dresdner Bank on behalf of Holocaust survivors.

Higher oil prices provided initial support for OSLO, but the Total index finally closed almost unchanged, rising 0.33 to 1,296.34, after profit-taking.

The rise in oil prices on speculation that leading oil producers had convened yesterday to discuss cutting supply led some oil stocks higher.

AMSTERDAM lost ground, pushed down by weak financials. The AEX index fell 14.38 to 1,198.25.

On Wednesday US lawyers filed a class action law suit against Deutsche Bank and Dresdner Bank on behalf of Holocaust survivors.

Deutsche came off DM2 to DM153.40 and Dresdner DM1.45 to DM101.55 as rumours that the action could run to \$18bn ran round the market.

Vlag stayed firm, adding DM6 at DM1.111 following recent positive broker comment on the utilities sector. Volkswagen fell DM10 to DM1,508 after the company announced plans for its own luxury car should its bid for Rolls-Royce Motor Cars of the UK fail.

AMSTERDAM lost ground, pushed down by weak financials. The AEX index fell 14.38 to 1,198.25.

On Wednesday US lawyers filed a class action law suit against Deutsche Bank and Dresdner Bank on behalf of Holocaust survivors.

Higher oil prices provided initial support for OSLO, but the Total index finally closed almost unchanged, rising 0.33 to 1,296.34, after profit-taking.

The rise in oil prices on speculation that leading oil producers had convened yesterday to discuss cutting supply led some oil stocks higher.

AMSTERDAM lost ground, pushed down by weak financials. The AEX index fell 14.38 to 1,198.25.

On Wednesday US lawyers filed a class action law suit against Deutsche Bank and Dresdner Bank on behalf of Holocaust survivors.

Deutsche came off DM2 to DM153.40 and Dresdner DM1.45 to DM101.55 as rumours that the action could run to \$18bn ran round the market.

Vlag stayed firm, adding DM6 at DM1.111 following recent positive broker comment on the utilities sector. Volkswagen fell DM10 to DM1,508 after the company announced plans for its own luxury car should its bid for Rolls-Royce Motor Cars of the UK fail.

AMSTERDAM lost ground, pushed down by weak financials. The AEX index fell 14.38 to 1,198.25.

On Wednesday US lawyers filed a class action law suit against Deutsche Bank and Dresdner Bank on behalf of Holocaust survivors.

Higher oil prices provided initial support for OSLO, but the Total index finally closed almost unchanged, rising 0.33 to 1,296.34, after profit-taking.

The rise in oil prices on speculation that leading oil producers had convened yesterday to discuss cutting supply led some oil stocks higher.

AMSTERDAM lost ground, pushed down by weak financials. The AEX index fell 14.38 to 1,198.25.

On Wednesday US lawyers filed a class action law suit against Deutsche Bank and Dresdner Bank on behalf of Holocaust survivors.

Deutsche came off DM2 to DM153.40 and Dresdner DM1.45 to DM101.55 as rumours that the action could run to \$18bn ran round the market.

Vlag stayed firm, adding DM6 at DM1.111 following recent positive broker comment on the utilities sector. Volkswagen fell DM10 to DM1,508 after the company announced plans for its own luxury car should its bid for Rolls-Royce Motor Cars of the UK fail.

AMSTERDAM lost ground, pushed down by weak financials. The AEX index fell 14.38 to 1,198.25.

On Wednesday US lawyers filed a class action law suit against Deutsche Bank and Dresdner Bank on behalf of Holocaust survivors.

Higher oil prices provided initial support for OSLO, but the Total index finally closed almost unchanged, rising 0.33 to 1,296.34, after profit-taking.

The rise in oil prices on speculation that leading oil producers had convened yesterday to discuss cutting supply led some oil stocks higher.

AMSTERDAM lost ground, pushed down by weak financials. The AEX index fell 14.38 to 1,198.25.

On Wednesday US lawyers filed a class action law suit against Deutsche Bank and Dresdner Bank on behalf of Holocaust survivors.

Deutsche came off DM2 to DM153.40 and Dresdner DM1.45 to DM101.55 as rumours that the action could run to \$18bn ran round the market.

Vlag stayed firm, adding DM6 at DM1.111 following recent positive broker comment on the utilities sector. Volkswagen fell DM10 to DM1,508 after the company announced plans for its own luxury car should its bid for Rolls-Royce Motor Cars of the UK fail.

AMSTERDAM lost ground, pushed down by weak financials. The AEX index fell 14.38 to 1,198.25.

On Wednesday US lawyers filed a class action law suit against Deutsche Bank and Dresdner Bank on behalf of Holocaust survivors.

Higher oil prices provided initial support for OSLO, but the Total index finally closed almost unchanged, rising 0.33 to 1,296.34, after profit-taking.

The rise in oil prices on speculation that leading oil producers had convened yesterday to discuss cutting supply led some oil stocks higher.

AMSTERDAM lost ground, pushed down by weak financials. The AEX index fell 14.38 to 1,198.25.

On Wednesday US lawyers filed a class action law suit against Deutsche Bank and Dresdner Bank on behalf of Holocaust survivors.

Deutsche came off DM2 to DM153.40 and Dresdner DM1.45 to DM101.55 as rumours that the action could run to \$18bn ran round the market.

Vlag stayed firm, adding DM6 at DM1.111 following recent positive broker comment on the utilities sector. Volkswagen fell DM10 to DM1,508 after the company announced plans for its own luxury car should its bid for Rolls-Royce Motor Cars of the UK fail.

AMSTERDAM lost ground, pushed down by weak financials. The AEX index fell 14.38 to 1,198.25.

On Wednesday US lawyers filed a class action law suit against Deutsche Bank and Dresdner Bank on behalf of Holocaust survivors.

Higher oil prices provided initial support for OSLO, but the Total index finally closed almost unchanged, rising 0.33 to 1,296.34, after profit-taking.

The rise in oil prices on speculation that leading oil producers had convened yesterday to discuss cutting supply led some oil stocks higher.

AMSTERDAM lost ground, pushed down by weak financials. The AEX index fell 14.38 to 1,198.25.

On Wednesday US lawyers filed a class action law suit against Deutsche Bank and Dresdner Bank on behalf of Holocaust survivors.

Deutsche came off DM2 to DM153.40 and Dresdner DM1.45 to DM101.55 as rumours that the action could run to \$18bn ran round the market.

Vlag stayed firm, adding DM6 at DM1.111 following recent positive broker comment on the utilities sector. Volkswagen fell DM10 to DM1,508 after the company announced plans for its own luxury car should its bid for Rolls-Royce Motor Cars of the UK fail.

AMSTERDAM lost ground, pushed down by weak financials. The AEX index fell 14.38 to 1,198.25.

On Wednesday US lawyers filed a class action law suit against Deutsche Bank and Dresdner Bank on behalf of Holocaust survivors.

Higher oil prices provided initial support for OSLO, but the Total index finally closed almost unchanged, rising 0.33 to 1,296.34, after profit-taking.

The rise in oil prices on speculation that leading oil producers had convened yesterday to discuss cutting supply led some oil stocks higher.

AMSTERDAM lost ground, pushed down by weak financials. The AEX index fell 14.38 to 1,198.25.

On Wednesday US lawyers filed a class action law suit against Deutsche Bank and Dresdner Bank on behalf of Holocaust survivors.

Deutsche came off DM2 to DM153.40 and Dresdner DM1.45 to DM101.55 as rumours that the action could run to \$18bn ran round the market.

Vlag stayed firm, adding DM6 at DM1.111 following recent positive broker comment on the utilities sector. Volkswagen fell DM10 to DM1,508 after the company announced plans for its own luxury car should its bid for Rolls-Royce Motor Cars of the UK fail.

AMSTERDAM lost ground, pushed down by weak financials. The AEX index fell 14.38 to 1,198.25.

On Wednesday US lawyers filed a class action law suit against Deutsche Bank and Dresdner Bank on behalf of Holocaust survivors.

Higher oil prices provided initial support for OSLO, but the Total index finally closed almost unchanged, rising 0.33 to 1,296.34, after profit-taking.

The rise in oil prices on speculation that leading oil producers had convened yesterday to discuss cutting supply led some oil stocks higher.

AMSTERDAM lost ground, pushed down by weak financials. The AEX index fell 14.38 to 1,198.25.

On Wednesday US lawyers filed a class action law suit against Deutsche Bank and Dresdner Bank on behalf of Holocaust survivors.

Deutsche came off DM2 to DM153.40 and Dresdner DM1.45 to DM101.55 as rumours that the action could run to \$18bn ran round the market.

Vlag stayed firm, adding DM6 at DM1.111 following recent positive broker comment on the utilities sector. Volkswagen fell DM10 to DM1,508 after the company announced plans for its own luxury car should its bid for Rolls-Royce Motor Cars of the UK fail.

AMSTERDAM lost ground, pushed down by weak financials. The AEX index fell 14.38 to 1,198.25.

On Wednesday US lawyers filed a class action law suit against Deutsche Bank and Dresdner Bank on behalf of Holocaust survivors.

Higher oil prices provided initial support for OSLO, but the Total index finally closed almost unchanged, rising 0.33 to 1,296.34, after profit-taking.

The rise in oil prices on speculation that leading oil producers had convened yesterday to discuss cutting supply led some oil stocks higher.

AMSTERDAM lost ground, pushed down by weak financials. The AEX index fell 14.38 to 1,198.25.

On Wednesday US lawyers filed a class action law suit against Deutsche Bank and Dresdner Bank on behalf of Holocaust survivors.

Deutsche came off DM2 to DM153.40 and Dresdner DM1.45 to DM101.55 as rumours that the action could run to \$18bn ran round the market.

Vlag stayed firm, adding DM6 at DM1.111 following recent positive broker comment on the utilities sector. Volkswagen fell DM10 to DM1,508 after the company announced plans for its own luxury car should its bid for Rolls-Royce Motor Cars of the UK fail.

AMSTERDAM lost ground, pushed down by weak financials. The AEX index fell 14.38 to 1,198.25.

On Wednesday US lawyers filed a class action law suit against Deutsche Bank and Dresdner Bank on behalf of Holocaust survivors.

Higher oil prices provided initial support for OSLO, but the Total index finally closed almost unchanged, rising 0.33 to 1,296.34, after profit-taking.

The rise in oil prices on speculation that leading oil producers had convened yesterday to discuss cutting supply led some oil stocks higher.

AMSTERDAM lost ground, pushed down by weak financials. The AEX index fell 14.38 to 1,198.25.

On Wednesday US lawyers filed a class action law suit against Deutsche Bank and Dresdner Bank on behalf of Holocaust survivors.

Deutsche came off DM2 to DM153.40 and Dresdner DM1.45 to DM101.55 as rumours that the action could run to \$18bn ran round the market.

Vlag stayed firm, adding DM6 at DM1.111 following recent positive broker comment on the utilities sector. Volkswagen fell DM10 to DM1,508 after the company announced plans for its own luxury car should its bid for Rolls-Royce Motor Cars of the UK fail.

AMSTERDAM lost ground, pushed down by weak financials. The AEX index fell 14.38 to 1,198.25.

On Wednesday US lawyers filed a class action law suit against Deutsche Bank and Dresdner Bank on behalf of Holocaust survivors.

Higher oil prices provided initial support for OSLO, but the Total index finally closed almost unchanged, rising 0.33 to 1,296.34, after profit-taking.

The rise in oil prices on speculation that leading oil producers had convened yesterday to discuss cutting supply led some oil stocks higher.

AMSTERDAM lost ground, pushed down by weak financials. The AEX index fell 14.38 to 1,198.25.

On Wednesday US lawyers filed a class action law suit against Deutsche Bank and Dresdner Bank on behalf of Holocaust survivors.

Deutsche came off DM2 to DM153.40 and Dresdner DM1.45 to DM101.55 as rumours that the action could run to \$18bn ran round the market.

Vlag stayed firm, adding DM6 at DM1.111 following recent positive broker comment on the utilities sector. Volkswagen fell DM10 to DM1,508 after the company announced plans for its own luxury car should its bid for Rolls-Royce Motor Cars of the UK fail.

AMSTERDAM lost ground, pushed down by weak financials. The AEX index fell 14.38 to 1,198.25.

On Wednesday US lawyers filed a class action law suit against Deutsche Bank and Dresdner Bank on behalf of Holocaust survivors.

Higher oil prices provided initial support for OSLO, but the Total index finally closed almost unchanged, rising 0.33 to 1,296.34, after profit-taking.

The rise in oil prices on speculation that leading oil producers had convened yesterday to discuss cutting supply led some oil stocks higher.

AMSTERDAM lost ground, pushed down by weak financials. The AEX index fell 14.38 to 1,198.25.

On Wednesday US lawyers filed a class action law suit against Deutsche Bank and Dresdner Bank on behalf of Holocaust survivors.

Deutsche came off DM2 to DM153.40 and Dresdner DM1.45 to DM101.55 as rumours that the action could run to \$18bn ran round the market.

Vlag stayed firm, adding DM6 at DM1.111 following recent positive broker comment on the utilities sector. Volkswagen fell DM10 to DM1,508 after the company announced plans for its own luxury car should its bid for Rolls-Royce Motor Cars of the UK fail.

AMSTERDAM lost ground, pushed down by weak financials. The AEX index fell 14.38 to 1,198.25.

On Wednesday US lawyers filed a class action law suit against Deutsche Bank and Dresdner Bank on behalf of Holocaust survivors.

Higher oil prices provided initial support for OSLO, but the Total index finally closed almost unchanged, rising 0.33 to 1,296.34, after profit-taking.

The rise in oil prices on speculation that leading oil producers had convened yesterday to discuss cutting supply led some oil stocks higher.

AMSTERDAM lost ground, pushed down by weak financials. The AEX index fell 14.38 to 1,198.25.

On Wednesday US lawyers filed a class action law suit against Deutsche Bank and Dresdner Bank on behalf of Holocaust survivors.

Deutsche came off DM2 to DM153.40 and Dresdner DM1.45 to DM101.55 as rumours that the action could run to \$18bn ran round the market.

Vlag stayed firm, adding DM6 at DM1.111 following recent positive broker comment on the utilities sector. Volkswagen fell DM10 to DM1,508 after the company announced plans for its own luxury car should its bid for Rolls-Royce Motor Cars of the UK fail.

AMSTERDAM lost ground, pushed down by weak financials. The AEX index fell 14.38 to 1,198.25.

On Wednesday US lawyers filed a class action law suit against Deutsche Bank and Dresdner Bank on behalf of Holocaust survivors.

Higher oil prices provided initial support for OSLO, but the Total index finally closed almost unchanged, rising 0.33 to 1,296.34, after profit-taking.

The rise in oil prices on speculation that leading oil producers had convened yesterday to discuss cutting supply led some oil stocks higher.

AMSTERDAM lost ground, pushed down by weak financials. The AEX index fell 14.38 to 1,198.25.

On Wednesday US lawyers filed a class action law suit against Deutsche Bank and Dresdner Bank on behalf of Holocaust survivors.

Deutsche came off DM2 to DM153.40 and Dresdner DM1.45 to DM101.55 as rumours that the action could run to \$18bn ran round the market.

Vlag stayed firm, adding DM6 at DM1.111 following recent positive broker comment on the utilities sector. Volkswagen fell DM10 to DM1,508 after the company announced plans for its own luxury car should its bid for Rolls-Royce Motor Cars of the UK fail.

AMSTERDAM lost ground, pushed down by weak financials. The AEX index fell 14.38 to 1,198.25.

On Wednesday US lawyers filed a class action law suit against Deutsche Bank and Dresdner Bank on behalf of Holocaust survivors.

Higher oil prices provided initial support for OSLO, but the Total index finally closed almost unchanged, rising 0.33 to 1,296.34, after profit-taking.

The rise in oil prices on speculation that leading oil producers had convened yesterday to discuss cutting supply led some oil stocks higher.

AMSTERDAM lost ground, pushed down by weak financials. The AEX index fell 14.38 to 1,198.25.

صحن من الامل

PRIVATE EQUITY - The Buy-Out Market

Heady prices have been paid for some fairly unremarkable companies, writes Katharine Campbell

A big business is going global

Forget investment banking or management consultancy. It is a career in private equity that today's high-flying Harvard MBA student covets.

Last year, some 50 students on the programme secured jobs in buy-out houses, compared with about five in 1992. At least 100 applicants were disappointed, says Vatche Kalaidjian, this year's president of the campus Venture Capital Club, who adds that interest is even more intense this summer.

As the students have recognised, the buy-out business has become big business. Frothy stock markets have driven a resurgence of interest in so-called alternative assets, and returns from buy-out funds in recent years have been mouth-watering. US institutional investors, in particular, have increased their allocations by several percentage points, releasing billions of extra dollars to the sector. In 1997, American buy-out funds were able to raise \$34bn in new money, nearly half as much again as the previous year, according to Kohn Tan, editor of Buyouts, a US industry newsletter. But surging public markets drive the valuations of private businesses upwards, too, and heady prices have been paid for some fairly unremarkable companies. Commentators have been calling the top of the US buy-out cycle for several years now. Mr Tan says: "I'm beginning to sound like a broken record. Each year I predict that purchase multiples (of earnings) cannot go higher, and each year they do."

Well-capitalised financial purchasers stumble over each other in pursuit of the best investments, while strategic acquirers are often able to pick off the gems anyway using their own highly rated paper. While funds still pour into managers' hands, deal volume

growth has hit a plateau.

Transactions completed in the US in 1997 amounted to just under \$35bn, almost exactly the same level as 1996. Average returns appear to be falling.

This is one reason the buy-out business is going global. Half of the pension funds, endowments and foundations in the US and Canada surveyed by Goldman Sachs and Frank Russell Capital at the end of last year said they believed non-US private equity would be the most attractive alternative asset class over the next three years. They said they were worried about excess cash chasing scarce opportunities in the US.

So, professionals have been clocking up air miles as some of the big US houses explore opportunities in Latin America and, cautiously, Asia. The private equity arm of the Prudential, the UK insurance group, bought Catalyst, the dominant Australian buy-out firm, this spring, while CVC Capital

Partners, a UK private equity firm, also stepped very far outside its natural hinterland with the purchase of the Australian building products division from BTR, the conglomerate. As Donald Mackenzie, CVC's managing director, remarked: "I wouldn't say it was a strategic decision. We are just trying to go where other people aren't."

The primary destination, however, is Europe. American houses are seriously turning their attention towards the region for the first time since the late 1980s. Meanwhile, UK operators,

battling a domestic market that looks every bit as overheated as the US, are expanding fast on to the Continent. The theory is that the industrial restructuring that powered the US and UK economies during the 1980s and 1990s is only just beginning there. The advent of the euro, it is hoped, will accelerate the forces for change.

Oiling the wheels, particularly of larger deals, has been the re-emergence of an indigenous European high-yield market. The dramatic convergence in the spreads of continental European government bonds ahead of the introduction of the single currency has meant that investors in search of yield will consider riskier credits.

This extra liquidity has helped in the structuring of jumbo transactions of which the largest to date this year is the £1.44bn Kappa Packaging buy-out from Dutch group KNP BT. Alan Jones, a Morgan Stanley managing director, explains: "Historically, 30 per cent of the financing of buy-outs came from mezzanine funds which would only commit about \$50m per deal. The smallest high-yield bond is about \$75m." Bankers argue that high-yield bonds afford companies lower debt financing costs in more highly leveraged structures, because, unlike senior debt, a high-yield bond is not repaid until maturity.

Not everyone buys the argument that Europe can absorb this sudden rush of funds, however. Buy-out houses now have an estimated \$25bn in total financial resources (debt as well as equity) to spend on European companies. "One of two things will happen," predicts an investment banker. "Either that money will not be put to work, or some of it will be invested imprudently."

US institutional investors could be increasing their allocations at a faster pace than the market can sustain. John McCrory, managing director of Crossroads, a private equity advisory firm, says: "I do worry about people chasing the market. Have the buy-out houses got teams that can deploy all this extra capital wisely?"

Nor is international diversification a simple panacea for falling US returns. Ian Armitage, head of Mercury Asset Management's private equity division, says: "Most people in this business are individualistic types. Getting them to co-operate and work

across borders is pretty challenging." Making a success of continental Europe will not be easy, not least because competitive pressures have swept away market imperfections in short order, pushing up the prices vendors can command almost to UK or US levels.

The tension is showing, with firms increasingly sniping at one another's deals. "I've never seen it like this," says one participant. "No one was tense in the late 1980s because no one knew what was about to hit them [as interest rates shot up, the economy descended into severe recession and high profile deals went wrong]. They were only tense when they landed 100 feet down the cliff."

Another observer diagnoses the industry's problem as hubris. "We have all made a good bit of money in the 1980s by buying dull businesses, mostly at dull prices. The stock market went marching up and these businesses were being rerated as you blinked. People think they can do anything. They believe they added the value."

He warns: "Now people are buying dull businesses for high multiples, at a time when the stock market looks as if it is likely to back off. The multiple is so sensitive to the return you make. If you pay 17 or 18 times earnings for a business and try and exit at 16 times, still less 13 or 14, your return is gone."

Houses have chosen to face the pressures in very different ways. While Civen, for instance, has exasperated its competitors by indulging in a spending spree that has left others standing, Charterhouse Development Capital has taken the opposite view, clearly believing it is a point in the cycle to sell rather than to buy.

In coming months, participants will be watching developments in the banking market particularly carefully. "The debt providers control this," says one private equity specialist. "But for them, people can't pay these high prices. When they begin to fade, the game is up."

The Bank of England has already sounded a note of caution. Michael Foot, executive director, warned recently that "all the management buy-outs and leveraged deals have led to some quite whizzy financing at, until recently, very fine terms. It's interesting that some recent deals have been harder to get away and the loan pricing has gone up."

The industry on either side of the Atlantic stresses it is older and wiser and will not be caught out as it was at the top of the last cycle. Barring

In 1996, Ducati Motor was teetering on the brink of bankruptcy. However, since Tonzo Pacific took control in September that year, the fortunes of the motorcycle company have changed. Pictured on this page is the new 900 Supersport. (See Profile on page 9)

dramatic upsets, it is also true that this is a long-term business in which poor performance takes many years to show through.

But canny investors will be doubly careful with whom they park their funds. Gary Solomon, chief executive officer of Greenoak Capital Management, part of UK investment bank Gruvill, says: "If you buck the strongest and most experienced, they will do relatively well even in the downturns. But the spread of returns between funds will certainly be marked because so much money is in the hands of relatively inexperienced players."

Meanwhile, the cycle holds little terror for this year's Harvard MBAs. "They figure they will not make partner for another four or five years, and by then the market will be picking up," says Mr Kalaidjian.



The commitment appears as a matter of record only

£145,000,000

INSTITUTIONAL FUNDING

FOR

AM PAPER GROUP

Structured, Led and Arranged by

HSBC Private Equity

The commitment appears as a matter of record only

FFr 635,000,000

MANAGEMENT BUY-OUT

OF

MANOIR INDUSTRIES

Equity Led by

HSBC Private Equity

The commitment appears as a matter of record only

INSTITUTIONAL FINANCING

OF

HCT SHAPING SYSTEMS SA

Institutional Equity Arranged and Provided by

HSBC Private Equity

The commitment appears as a matter of record only

£161,000,000

RECAPITALISATION

OF

FORBUOYS

TM GROUP

Structured and Led by

HSBC Private Equity

The commitment appears as a matter of record only

DM 45,700,000

PRIVATE PLACEMENT

EVOTEC

EVOTEC BioSystems GmbH

Institutional Equity Co-Led by

HSBC Private Equity

The commitment appears as a matter of record only

FLOTATION

BCH

GROUP PLC

Original Management Buy-Out Structured, Led and Equity Underwritten by

HSBC Private Equity

The commitment appears as a matter of record only

REFINANCING

RECAPITALISATION

by

RODOVIARIA DE LISBOA

of a joint venture interest in

RODOVIARIA DE LISBOA

Member HSBC Group

HSBC Private Equity

The commitment appears as a matter of record only

TRADE SALE

Harwich International

to

Hutchison Port (UK) Holdings

Original Institutional Buy-Out Organised, Structured, Led and Underwritten by

HSBC Private Equity

The ability to make things happen

HSBC Private Equity
Member HSBC Group

HSBC Private Equity Europe Limited
Vintners Place, 68 Upper Thames Street, London EC4V 3BJ
Tel: 0171 336 9955 Fax: 0171 336 9961
REGULATED BY INAD

Those who support developing countries build bridges to the future.

2 PRIVATE EQUITY - THE BUY-OUT MARKET

UNITED STATES • by William Lewis

Fire power good, but targets few

Firms have piles of cash but competition has made it hard to close deals

When it comes to fire power, things are just about as good as they can get for US private equity firms.

Last year they raised a total of \$230bn, up by 44 per cent on the \$159bn raised in 1996. In the first quarter alone they have raised \$19bn, as much as the industry total in 1995.

But when it comes to closing deals, things are not so rosy. There may well be more cash available than ever before to back acquisitions, but the strength of the US stock market has put private investors at a disadvantage compared with public companies.

The latter have been exploiting the high valuation levels of their own stock to make purchases, pushing acquisition prices out of the reach of private equity funds.

The value of announced US transactions last year reached a new record of \$917bn, of which private equity firms accounted for just 6.4 per cent, according to Securities Data, the leading mergers and acquisitions data consultancy.

In the US, more than three quarters of all deals announced last year were either all stock transactions or a mix of stock and cash - the types of deals that private equity firms are not able to do.

Despite the inflow of cash, private equity firms have proved consistently less willing than strategic buyers to pay up for acquisitions. A recent study by Buyout, an industry newsletter, found that private equity firms on average have been paying 7.1 times the target company's cash flow, compared with the nine times cash flow by strategic acquirers.

A recent example of private equity firms losing out to an aggressive strategic buyer came in the battle for PolyGram, the Dutch music and film company put up for sale by Philips, the Dutch electronics concern.

Seagram, the Canadian media conglomerate, won that auction seeing off Forestmann Little and Thomas H. Lee, two of the leading private equity firms in the US.

As a result of this intense competition from strategic buyers, private equity funds have been pushed into linking up with their competitors. Earlier this year Kohlberg Kravis Roberts, headed by Henry Kravis, linked with Hicks Muse Tate & Furst, a competitor buy-out firm, to acquire for \$1.5bn Regal Cinemas, the second largest motion picture exhibitor in the US.

In addition, funds are branching out into new investment areas. They are moving away from classic leveraged buy-outs - their traditional mainstay - into areas such as leveraged build-ups, in which a fund builds a business by buying and merging smaller

companies in the same industry.

They are also beginning to take more of an interest in overseas markets. Earlier this year the Blackstone Group and Colony Capital won control of the Savoy Hotel, the UK's oldest quoted hotel company, with a cash offer of \$320m.

"You are going to see more and more US private equity firms making acquisitions in Europe," forecasts Pierre Bonnin, senior vice-president of Paribas, the French bank. Based in New York, Mr Bonnin specialises in advising private equity firms on making acquisitions in Europe.

"They have a lot of cash available and there are not that many targets available here in the US. The level of competition for acquisitions is higher here as is the level of multiples," Mr Bonnin says.

There are also an increasing number of cases of private equity funds linking up with corporations. An example is Pearson's recent victory in the auction for Simon & Schuster, the US publisher put up for sale by Viacom, the US company. Pearson, the UK company that owns the Financial Times, agreed to pay \$4.6bn to Viacom but as part of its bid, agreed to sell parts of the business on to Hicks Muse for \$1bn. In doing so it saw off a rival bid from KKR.

Other funds are choosing to focus on niche areas. For example, the Jordan Zalamnick group focuses on investing friendly capital in middle market private US compa-

nies, typified by the phrase "buys on Main Street and sells on Wall Street". David Zalamnick, who runs the \$3.5bn group with Jay Jordan, says "people have observed that our investment policy is to arbitrage private company and public market values".

In spite of these efforts to pursue non-traditional investments, private equity firms are sitting on a huge amount of unspent funds. According to a recent study by Goldman Sachs, the US investment bank, and Frank Russell, the fund management consultancy, at least 40 per cent of the money raised by these firms has not yet been employed.

On the basis that private equity funds are able to leverage their investment funds by a factor of at least four to one, that implies that the total buying power of the \$230bn they raised last year is more than \$900bn.

And the cash is still flowing in. Last year the Blackstone Group, whose chief executive officer is Stephen Schwarzman, closed another fund - Blackstone Capital Partners III - with about \$2.5bn in commitments.

In part this is due to the interest of pension funds which, attracted by the strong returns achieved by US private equity funds in recent years, have been increasing the amount of assets they commit to such funds.

The best known buy-out firms have been in business for more than 15 years and have been through at least two investment cycles - long

enough to convince the most cautious of pension fund managers that their high rates of return are not flukes.

Regulatory change has also been a factor. Congress recently passed legislation that increased the number of investors permitted in a partnership from 99 to 500, resulting in the formation of a large number of funds which have lower than traditional minimum investment thresholds.

Wall Street has also come up with a new way to enable individuals to participate in the private equity market - an LBO fund of funds.

Over the past few months several investment banks and private banking institutions have been rolling out a number of such funds which enable wealthy individuals to invest their money in a diversified portfolio of private equity investments managed by financial sponsors.

For example, in May, Chase Manhattan, the US bank, launched its first private equity fund of funds which will make direct investments and invest in a pool of 12 to 15 private equity funds. It closed after meeting its target of \$150m of high net worth and institutional assets.

Investment banks have also been stepping up their private equity focus in recent years, adding an extra dimension to their mergers and acquisitions advisory practices.

In recent months Lazard Freres, the investment bank in which Pearson has a

stake, has established a dedicated private equity team in an attempt to win more advisory mandates and financing business from private equity firms.

Private equity firms concede that things have got more competitive, but argue that they are still completing the same amount of deals each year.

"While we continue to expect heated competition for transactions from financial and strategic buyers alike - and we anticipate that the stock market itself, at current levels, will provide its own competition as a source of growth capital for companies - we are extremely well positioned to meet our goal of completing, on average, three to four high potential acquisitions per year," KKR stated in its recently published annual review.

Privately, however, executives at private equity firms concede that the combination of the funds they have available for investment and the continuing intense competition for deals means that returns to investors could be on a downward path.

There has already been grumbling from investors about the fees charged by private equity firms, with CalPERS, the largest public pension fund in the world, calling for best practices to be adopted.

"Given our successes, the weight of expectation is great," says an executive of one leading private equity firm. "I'm just not sure that we can all meet that expectation," he said.

CASE STUDY Lehman Brothers

One-stop shopping

Mergers of investment banks and commercial banks are proliferating, as the rallying cry of one-stop shopping grows ever louder on Wall Street. Ironically, though, it is one of the dwindling number of pure, independent investment banks which has pulled off perhaps the most impressive example of one-stop shopping this year.

Lehman Brothers, which advised Texas Utilities on its recent contested bid for the UK's Energy Group, also helped line up the financing for the transaction. More unusually, its merchant banking or private equity unit bought a subsidiary of Energy Group, coal company Peabody Group, which Texas could not have held on to under US regulatory rules.

The deal is also, according to Felix Herlihy, senior vice-president of Lehman Brothers merchant banking business, an example of the benefits of being part of a broader investment banking business. "We see deals which outsiders don't see," he explains.

In this case, Peabody was "a company we had looked at for a number of years", considering that the coal industry is "an industry which is under-appreciated", said Mr Herlihy. (Coal provides 57 per cent - and Peabody 9 per cent - of America's electricity, and that proportion is rising as nuclear power continues to fall from favour.) The investment banker advising Texas on its bid was aware of the merchant bankers' interest, and brought it to them, allowing the package to be put together in advance of the bid.

While the deal could theoretically have been done without Lehman's merchant banking participation, it would have been trickier. Under UK takeover rules, there is a strict 60-day timetable once an offer is on the table, which would have made it difficult to canvas and find other potential buyers for the business, argues Mr Herlihy. "Financial buyers are notorious for not committing. That doesn't work in the UK, because bids have to be fully financed," he explained.

The Energy Group model is thus a unique example of fruitful investment banking relationships. On its own account, Lehman recently bought, in partnership with Italy's IRI, airports owned by Alitalia, the struggling Italian airline.

The \$480m investment in Peabody was the first investment by a \$2bn private equity fund raised by Lehman Merchant Banking, which has a five to seven year investment time horizon. A previous \$1.3bn fund, raised in 1996, has now been fully liquidated, roughly half through the public markets and half through trade

sales, posting returns of around 40 per cent on 13 investments. Nearly all were clients of the firm.

Interaction with the firm's investment banking business also helps fuel activity in another area of the private equity market. Lehman has 11 professionals in a global private placement group, which acts as an agent in arranging private equity financing for corporate clients. The team was beefed up in the last year, bringing experts in debt and equity together.

The professionals in the group are responsible for finding investors - pension funds, insurance companies and some wealthy individuals - whose appetite for alternative asset classes such as venture capital has sharpened in recent years. In some cases, the group also identifies suitable companies in need of such financing.

But again, in many cases it is the firm's legion of investment bankers who bring in the business. "We depend on our corporate finance brethren" says Michael Brill, senior vice-president. In some cases, the client may approach the firm about an initial public offering (IPO).

Brian Wade, managing director and the head of the group, cites an internet company which has just raised \$18m among five investors. It is an area of the market, says Mr Wade, where "we do not see traditional bulge bracket firms".

Competition for business is more often from investment banking boutiques such as Hambrecht & Quist, Alex Brown (now owned by Bankers Trust) and the like. The business is valuable to Lehman not only for the fees it earns, but also because, the idea is, these firms will award subsequent mandates to Lehman as they grow larger and do IPOs or debt financings. "When we do a private deal, the next logical step is an IPO in 12-24 months," says Daniel Schultz, senior vice-president.

"However, we are ever more often asked to do private equity financing for companies that others have not been able to bring public - but they may have already gone quite far down that road and are in dire need of doing private equity finance," Mr Brill.

Still, Lehman turns away many deals. "We need to do our homework," says Mr Wade, since investors are typically looking to triple or quadruple their investment in just one or two years, even allowing for the occasional dud. "Last year I saw the business plans of 125 companies and we only did a dozen deals."

Tracy Corrigan

PLATFORM BUY-OUTS • by William Lewis

From little acorns, mighty companies

KKR and Hicks Muse have used leveraged build-ups to great effect

With the squeeze on returns from their traditional investment techniques, private equity firms in the US have in recent years been focusing on funding aggressive acquisition strategies for the buy-outs they back.

Known as platform buy-outs, or leveraged build-ups, they are now well established in the US and are beginning to catch on in Europe. Furthermore, in the US they are being extended to new sectors including for-profit education, radio and cinemas.

In a build-up, private equity firms attempt to make money by backing a company that acquires smaller firms in its industry at lower multiples. It hopes to expand the company to a size where it can obtain larger multiples in a stock market listing or in a sale to a wider range of strategic buyers.

Kohlberg Kravis Roberts, the largest US private equity firm, is credited with creating the first leveraged build-up. It created K-III (now Pri-

media) in 1999 as an acquisition partnership between KKR and a group of managers with no initial assets to establish a new company focused on acquiring companies in specialised information media.

"In setting up K-III, KKR was effectively outsourcing LBO functions to trusted experts in a defined set of related businesses." So says George Baker, professor of business administration at Harvard Business School, and George David Smith, clinical professor of economics at New York University's Stern School of Business, in their book about KKR which is to be published later this year.

They add that the build-up model has subsequently been applied to other KKR investments, "thus demonstrating how the buy-out principle could become an integral part of the strategies and structures of corporations themselves".

Platforming has become particularly significant in industries that are traditionally fragmented and characterised by a large number of companies which each control a small percentage of the market.

An example is the way in which Hicks Muse Tate & Furst, the private equity

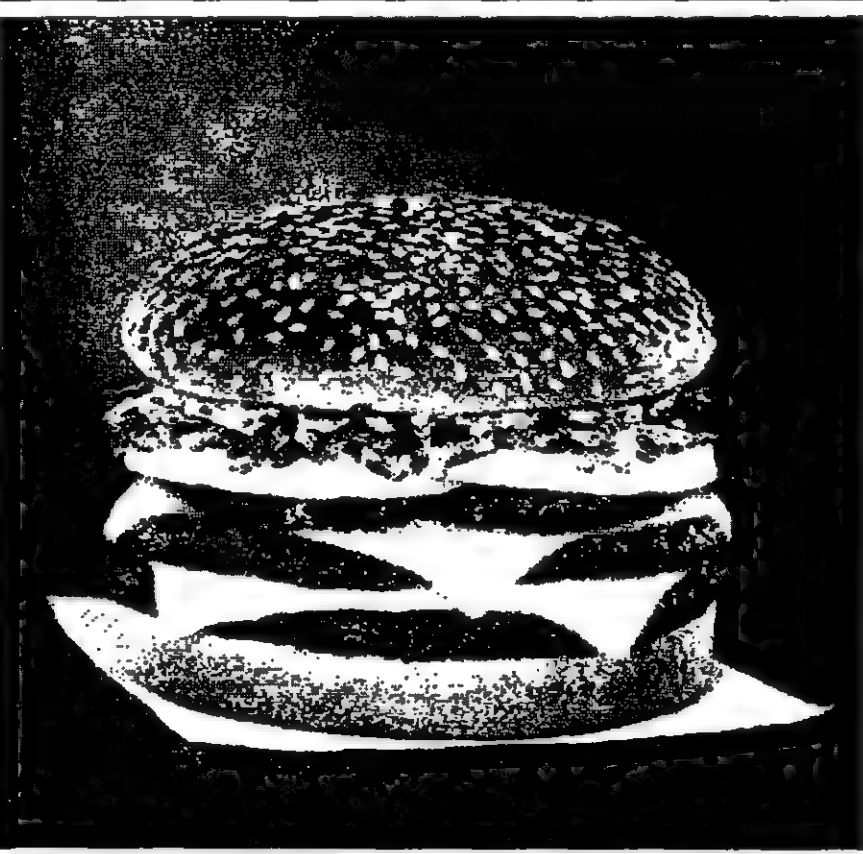
fund, has enabled Chancellor Media, a company it controls, to become the second largest radio station owner in the US in terms of cumulative audience.

The firm has increased the size of the company mainly through acquisitions of radio stations in leading markets. Hicks Muse started building Chancellor Media in 1994 and since then has made 18 acquisitions, including a \$2.4bn stock swap with Evergreen Media last year.

Another example is the movie theatre industry. In January Hicks Muse and KKR announced they were combining their movie theatre chains and acquiring Regal Cinemas for \$1.5bn. The deal created the largest movie theatre chain in the US, in an industry in which owners have traditionally been families specialising in a particular region.

In addition to any future acquisitions, the new group plans to build about 1,800 new screens by the end of 1999. If these plans are carried out, Hicks Muse and KKR estimate they could own 20 per cent of the total screens in the US.

The Jordan Zalamnick group is another private equity firm which specialises in platforming, linking with entrepreneurs in fragmented



Building a Big King: AmeriKing owns more than 230 Burger King restaurants in the US

industries and providing them with the funds to carry out acquisitions.

It has linked with Larry Jaro, an entrepreneur, to build AmeriKing, the second largest Burger King franchisee in the US. In August 1994 it started with the acquisition from Burger King of 70 stores in the Chicago area and in the following three years nine additional acquisitions were

made. Today, AmeriKing owns more than 230 Burger King restaurants in nine states, primarily in the Midwest and Southeast, and has combined revenues of around \$270m.

JZ has developed several other platform businesses and is expanding into Europe where the technique is beginning to catch on.

A paper on leveraged build-ups published earlier

this year by the Centre for Management Buy-out Research at Nottingham University identified 131 such transactions in the UK with a value of £2bn between 1993 and June 1997.

Some were sizeable, with five transactions that had further financings of more than £100m. By mid-1997 there were 10 new build-up deals emerging each month.



The eagle's eye highlights a particular area of interest within its expansive field of view by an extraordinary ability to magnify that area by some two and a half times.

Vision that delivers.

To focus on the kind of potential in a business that we put a high value on and are prepared to pay for also takes a particular vision. Vision that we back with the £850 million Candover 1997 Fund.

candover

The Candover 1997 Fund invests in larger UK and Continental European companies ranging from £25m to £1bn.

مكتبة الامم المتحدة

DIFFERENTIATING SERVICES • by Katharine Campbell

Bidding wars spreading

Having a big fund is not enough in today's highly competitive environment

Auctions have become the bane of private equity professionals' lives. Almost every UK-quoted company disposal goes through these bidding wars staged by investment banks and accountancy firms, and they are taking hold on the Continent. Larger family companies are being sold in this fashion, too.

Any individual private equity manager will boast that his firm, of course, avoids auctions - but this rather strains credibility when the corporate financiers can drum up 30, if not 50, potential financial purchasers for the initial rounds.

The reason they are disliked is that they make everyone look the same. They are time-consuming exercises for the contestants where failure is frequent, costly and fairly public. Bidders are generally kept at arm's length from the business and its management and success is too often a function of simply paying top dollar. Most important, they represent the antithesis of what most institutional investors want to see from the investment managers they appoint - namely, access to a special, private, source of deals.

Standing out from the herd is not easy. Plenty of operators have spruced up their marketing spiel, flogging the rather nebulous concept of "adding value". But those that matter are not easily fooled. As John McCarty, managing director of Crossroads, an adviser to private equity fund investors, says: "We all know, whatever they may say, that they all take part in auctions."

Mike Proudlock, chairman of Greenoak Capital Management, part of investment bank Granville, adds: "Everyone says they are different. But in making pitches to differentiate themselves, they all start looking the same."

One of the genuine differences to have emerged between private equity houses in the past year has to do with size. Some people have simply developed the muscle to execute much bigger deals than others. This is directly related to the scope of the funds they wield, and ultimately linked to their past performance record.

Doughty Hanson hauled in \$2.5bn last year and Cinven has recently put together a pot worth £1.5bn. Other weighty operators which have completed new funds include Candover, Charterhouse, Schroder Ventures, BC Partners, and Alchemy, a UK investment boutique set up in January 1997.

These extra resources have enabled private equity firms to set their sights on much larger businesses. This year began with Cinven's £800m buy-out from Reed Elsevier of IPC, the magazine group. Last month Cinven teamed up with CVC Capital Partners in the £1.4bn (£1bn) purchase of the packaging division of

KNP BT, the Dutch packaging and distribution group.

But having a big fund is not enough in today's highly competitive environment. One route to further differentiation is to make a pitch for "difficult" deals. Schroder Ventures, for instance, has a penchant for turnaround situations, particularly in the UK. "They like something that's broken and needs fixing - and for which they will pay less," says one adviser. Mr Jon Moulton, Alchemy's founder who worked at Schroders for many years, has developed the tricky transaction into an art form at Alchemy.

Their approach would differ markedly from a Canover that seeks a more stable, quality business from which it can spot a clear exit route. It follows that when the right ingredients are there, it would pay up for the privilege.

As deal financing becomes more intricate, some operators have begun to stand out, thanks to their innovative techniques. Guy Hands, who runs the principal finance group at Nomura, the Japanese securities house, has made securitisation one of his trade marks.

Securitising assets is a way of providing off balance sheet financing to a company by transferring risk to the capital markets. It means Mr Hands will look for a very different kind of company from many more traditional private equity managers. He shuns growth businesses, particularly technology, and is not interested in brands either. Instead, he focuses on companies with strong, stable cash flows.

There is also a degree of differentiation by geography. While most houses are joining the headlong rush into Europe, there are differences in approach - building a local network versus operating largely out of a suitcase from a London base. Mike Stevens, UK head of buy-out services at KPMG Corporate Finance, observes: "Those with reasonable local structures occasionally still pick up the deal that used to be a regular feature of the buy-out market."

Buy-out managers choosing between prospective investors will want to consider differences of style. Some operators are notably more inclined to roll up their sleeves and get involved in the business. Mr Moulton has, for instance, built a reputation as favouring an aggressive approach. But distinctions are not always clear.

Traditionally placed at the passive end of the spectrum, 3i says it has grown fed up with the "hands-off" tag. Charles Richardson, director of corporate affairs, says he has coined the term "involved investor". He explains: "There are circumstances where a business has a superb management team and knows exactly what it is doing. In other situations, you really need to get involved." The fact that the group is increasingly raising funds from outside investors and taking majority stakes in businesses is helping to change its stance.

One of the most potent

ways in which private equity firms could differentiate their services is by developing industry expertise. To date, any effort in that direction has amounted to little more than "marketing puff", as Mr Stevens says. "I hear my hair out at the lack of differentiation. I would love to take a potential opportunity to someone who really understood an industry, knew the players, was well versed in the issues."

The US has already progressed some considerable way down this road. New York investment firm Welsh, Carson, Anderson & Stowe invests solely in computer business services and health-care business services. Two fragmented industries that lend themselves to growing companies via acquisition build-up strategies. Carlyle, based in Washington DC, uses the combination of a star-studded board and industry experience among its professionals to open doors in defence and telecoms. It is now hoping to apply a similar formula in Europe.

Apex is one of the few UK operations to have attempted such concentration. It has, for instance,

developed a strong niche in telecoms, thanks to partner John McMontgall, a former British Telecom main board director. Meanwhile, John Walker, chief executive of Advent International Europe, and a 17-year veteran of ICI, has a liking for chemical deals.

But many firms have a considerably more superficial approach. Some parade categories so broad that they in effect embrace just about any industry. Others turn out to know very little about a particular area when actually faced with a deal, advisers say.

Martin Gagen, co-head of UK investment at 3i, sums it up: "In the US firms are buying people with real operational experience. I think you are going to see more genuine differentiation here."

He believes a group of operators will develop who "set out to be the best deal makers, who are not hung up on sector or geography but are looking for deals that are undervalued". Others will look for industry niches.

"But if you are going to be niche, you are probably going to have to be niche on a global basis."



Secondary buy-outs are on the increase and one of the principal catalysts is a growing number of private equity investors whose fixed life funds are maturing.

This was the case with A&P, the UK's largest ship repair and conversion business, which was sold to Royal Bank Development Capital in January in a deal with total funding of £56m.

Schroder Ventures, which had invested in 1990, saw its 1998 buy-out fund coming to the end of its life. Yet A&P needed several more years to take it through to the next stage, according to Richard Winkler, a Schroder Ventures director.

A&P had been a problem child in the early years, as deep recession and the end of the cold war destroyed Schroders' careful projections. In 1993, with the company in loss, new management was brought in, led by Frank Nugent, chief executive, and NatWest Bank agreed to turn part of its loan into equity. Last year, earnings before interest and tax had climbed back to around £2m and the company completed a high profile contract for the Q22 ferry.

At the time of the purchase, RBDC said it hoped to bring the company to the stock market in three or four years, but new strategic alliances flushed out by publicity surrounding the buy-out may speed up international expansion plans and shorten that timetable.

Double first for 3i Europe's leading venture capital company

Lead equity arrangers in major UK buy-outs and buy-ins during 1997 ranked by value

Equity Arranger	No. of deals	Value £m
1. 3i	63	439
2. Cinven	7	437
3. NatWest Equity Partners	16	237
4. Candover	3	160
5. PPM Ventures	3	159

Lead equity arrangers in major UK buy-outs and buy-ins during 1997 ranked by number of deals

Equity Arranger	Value £m	No. of deals
1. 3i	439	63
2. NatWest Equity Partners	237	16
3. Cinven	437	7
3. Barclays Private Equity	131	7
3. Royal Bank Development Capital	107	7

www.3igroup.com

We want you to succeed



Sources: Acquisitions Monthly February 1998

3i Group plc and 3i plc, 91 Waterloo Road, London SE1 8XP are registered in the conduct of investment business by the FSA.

مركزنا من الأصل

4 PRIVATE EQUITY - THE BUY-OUT MARKET

UK MID-MARKET BUY-OUTS • by Michael Prest

Frenzied activity in business

Extraordinary prices have been paid for companies with ordinary prospects

On almost any indicator you care to take, the UK mid-market buy-out business is surging ahead. The number of deals is rising, and their value is rising even faster. Financial instruments such as high-yield bonds have migrated from their normal habitat of big transactions to more modest surroundings. The business employs more people by the day and more entrepreneurs are aware of what venture capital can offer.

Since the mid-market sector, roughly defined as deals valued at between £10m and £100m, also accounts for about half of all private equity transactions, it is not surprising that optimism is in the air. Stephen Welton, senior director of Barclays Private Equity, said: "We see a good year ahead of us." Patricia Toner of Kleinwort Benson Development Capital said the firm's turnover had doubled in the past year. Definitions are imprecise

in a business which remains remarkably impressionistic for all its sophistication. But taking the £10m-£100m range, The Centre for Management Buy-Out Research (CMBOR) at Nottingham University provisionally estimates that 18 buy-out deals were struck in the first quarter of this year, about the same as in the comparable period of 1997. The total for last year was 74.

CMBOR, which was founded by Deloitte & Touche Corporate Finance and Barclays Private Equity, also calculates that the average size of mid-market buy-outs rose from £32m in the first quarter of 1997 to £34.3m in the first three months of this year. The average for 1997 was £32m. Moreover, entry price/earnings ratios for the whole buy-out and buy-in business - a measure of relative purchase costs - have gone up from 12.3 to 13.3 over the past year or so.

This evidence of rising absolute and relative prices causes some market participants to fear that the surge has degenerated into a frenzy which cannot last. Jonathan Diggins, managing director of Murray John-

stone Private Equity, said: "There's a general frenzy about the market at the moment." Paul Traynor, from the Midlands office of 3i, said: "There have been some extraordinary prices paid for businesses with quite ordinary prospects."

Allowing for clear excesses, the question is whether higher prices can generally be justified. Certainly, there are several reasons for vendors doing so much better than only a year or two ago. The most important is competition. Alan Lewis, who runs NatWest Equity Partners' regional network, said: "Our business is growing more competitive all the time."

More intense competition in turn stems from several trends in the market. Tom Sweet-Escott, director of the transactions team for 3i in London, ticked off the trends: active merger and acquisition markets; corporate restructuring; low cost of capital; comparatively low company gearing; new entrants such as US investment banks and Continental universal banks into the market; and the willingness of venture capitalists to pay higher prices.

There is more to this last point than may meet the eye. Gone are the days when it was possible to acquire a stake in a company and hope that it would turn out all right. Nowadays it is essential to have an exit plan in place before completing the initial purchase.

As the size of deals increases, however, the most likely exit strategy is a market flotation. With the stock market making records almost daily, the temptation is to base prices on the assumption that it will bail you out in three or five years' time. And the more the stock market goes up, the higher vendors' expectations go up, too. Thus buy-outs and other venture capital transactions are locked in a cycle with the stock market.

New financing techniques may also have pushed up prices. In the past, exotic financing was restricted to genuinely big deals. But Mr Sweet-Escott said: "The size of deals at which innovative finance is available is falling all the time." High yield bonds are particularly in vogue, largely introduced by US investment banks which see Europe as a happy hunt-

ing ground for venture capital.

Other innovations in the market include vendor loan stock and rolling up interest until exit. Mr Sweet-Escott said: "I could go to presentations all day from US investment banks." 3i, which is involved in about half of the mid-market deals, is looking at refinancing some of its existing investments with bonds.

The buying process is also fuelling concerns that the market is over-inflated. There is a growing tendency for venture capitalists to buy companies, often at auction, in competition with trade buyers. Full access to management and information about the company may only be available after the purchase. The process may result in higher prices which raise the cost of buy-outs and lead to more complex subsequent financing.

While recognising the concern about price inflation, most venture capitalists argue that the mid-market is not overheated. They point out, for example, the entry p/e's are still well below those on the stock market. More important, they believe that they have grown



Graeme White and Stephen Welton: expecting a good year at Barclays Private Equity

more skilled at improving the performance of companies. Mr Diggins said: "I think we're much more professional about what we're doing."

Nevertheless, venture capitalists and managers are under mounting pressure to make buy-outs succeed. West Equity Partners' deals originate from local networks of accountants, lawyers, business people, and others. Mr Traynor stresses the sectoral nature of the business. The greatest concentration of automotive knowledge, for example, is in the

Midlands.

Restructuring of industry has created new buy-out opportunities in sectors such as automotive parts, electronics and information technology. But the distribution of regional activity is still concentrated overwhelmingly in the south-east, which accounted for a third of all private equity deals last year. The Midlands' share was about a fifth, while the north of England recorded only 4 per cent. The mid-market buy-out business may be enjoying a boom, but it seems that the benefits are far from evenly spread.

More important, they believe that they have grown

This announcement appears as a matter of record only

In Partnership across Europe

HUURRE GROUP

FIM 220,000,000
Acquisition with
Management

Led, structured and arranged by
NatWest Equity Partners

HEALTHCALL

£65,400,000
Public to Private:
Management Buy-Out
from Healthcall plc

Led, structured and arranged by
NatWest Equity Partners

Rha

£49,000,000
Acquisition with
Management
from First Leisure plc

Led, structured and arranged by
NatWest Equity Partners



Bodegas Carlos Burgo
Ptas 2,000,000,000
Sale to
Bodegas Arco
Equity funding for the
company's expansion was
provided by

NatWest Equity Partners

FRANCE
Paries

Sale to
Jeld - Wen Inc
Equity funding for the
FFr100,000,000 Management
Buy-Out was provided by

NatWest Equity Partners

ZINCOCELERE *

Lit 180,000,000
Sale to
Viasystems Group
Equity funding for the
Lit 127,000,000 Acquisition
with Management in 1996
was led and arranged by

NatWest Equity Partners

lloyd werth

DM 53,000,000
Management Buy-Out

Led, structured and arranged by
NatWest Equity Partners

BETTERWARE

£127,000,000
Public to Private:
Institutional Buy-Out
from Betterware plc

Led, structured and arranged by
NatWest Equity Partners

PSL

£45,500,000
Institutional Buy-Out

Led, structured and arranged by
NatWest Equity Partners

NatWest Equity Partners is a leading European provider of private equity, specialising in middle market buy-out transactions.

For further information, please contact
David Shaw or one of his team on 0171 374 3505.

NatWest Equity Partners Limited Regulated by IMRO

NatWest Equity Partners

CASE STUDY Going private

Profit-making chemical reaction

Alchemy Partners is living up to its name. Six months after its acquisition of Wellman, it is turning the base metal of a small engineering company into the gold of a quick profit, with plans for a flotation of one of Wellman's divisions. Jon Moulton's venture capital investment advisory business plans to file documents to prepare for an initial public offering of Wellman's US vehicle emissions testing business, ESP shortly.

The flotation, expected by analysts to value ESP at significantly more than Alchemy paid for the whole of Wellman, would represent an unexpectedly quick turnaround in the fortunes of what was an unemployed engineer until late last year. Alchemy's decision to take Wellman private just before Christmas was timely. Since October, investors had begun to wake up to the possible impact of a strong pound on Britain's exporters, and started to desert the engineering sector.

With the FTSE 100 hitting new highs almost weekly, they were also seeking safety in large stocks, leaving little support for smaller companies. The exodus from small engineers was sometimes indiscriminate, and Wellman suffered, not least because it was still labouring under the shadow of an October 1998 profit warning, sparked by problems in the UK garage equipment business.

The offer, led by Alchemy, valued Wellman at £78m - a 77 per cent premium to the share price before takeover speculation started.

Alchemy said one reason for the deal was to allow the company to restructure "away from the demands of the public market." The idea, however, came not from directors under pressure, but from Alchemy. Fittingly, the corporate finance arm of Apex Partners, Jon Moulton's former employer, advised on the deal.

Alan Baxter, Wellman's chief executive, committed £2.75m to take 17.32 per cent of the ordinary shares in the new company. Newmell, and finance director Terry Smith spent £100,000 on a 2.3 per cent equity stake.

Alchemy has 54 per cent of the group, and will retain a similar interest in ESP after it is floated, while the remaining shares were taken by Kleinwort Benson European Mezzanine Fund II, Hansa, a private vehicle for Georg von Opel of the Opel car family, and the private company of Peter Smedvig, a Norwegian investor.

Amanda Shipman, the Alchemy partner most closely involved in turning

Wellman around, testifies to the fact that much of the task involved providing proper corporate finance for the business.

Until the Alchemy deal, most of ESP's emissions testing equipment business in the US was done through leasing companies, which were charging about 18 per cent of turnover.

"We suggested that Wellman look at asset securitisation deals, and lease equipment in conjunction with its bank," Ms Shipman says. Such a structure keeps costs down to about 6 per cent of turnover, saving 13 per cent which was disappearing into a leasing company's pockets. Given that the lease book is likely to build up to £300m over the next 3-5 years, the potential savings are substantial.

Ms Shipman's other main task has been to approach US banks to refinance the acquisition. Through the Bank of America, Alchemy has now repaid the mezzanine finance and the senior loan of the Bank of Scotland.

Earlier this month, it repaid another portion of the investors' loan stock, taking the total paid back so far to over 50 per cent.

Other venture capitalists caution that the speed with which this has been achieved by Alchemy partly reflects the strength of the US banking market. They maintain that other companies contemplating similar deals should not automatically assume it can be done so smoothly.

There have, however, been hiccups in Alchemy's acquisition of Wellman: the initial bank finance seems to have been less than ideal, one member of the original management team has walked out, and the thermal division has turned down because of its exposure to turbulent Asian markets.

Alchemy has, however, sold the worst of Wellman's loss-making garage equipment businesses to its management.

More importantly, perhaps, venture capital groups and others have shown interest in every one of Wellman's businesses, suggesting that the ESP flotation may not be the only way of realising a return on the investment.

Alchemy set out its stall 18 months ago as a specialist in the more difficult venture capital deals. Its discovery of a company undervalued by mainstream investors has made the deal look relatively simple, but the turnaround of Wellman - has been the fruit of more hours' work than it expected.

Andrew Edgecliffe-Johnson

DEBT-FINANCED BUY-OUTS • by Christine Moir

Steady drift to high gearing

There is a danger of buy-outs coming unstuck because of mountains of debt

Management buy-outs, by their nature, tend to be highly geared events. Few would-be tycoons have much capital of their own at that stage. The need to rely on borrowing is further fuelled by the reluctance of Anglo-American entrepreneurs to give away their equity. In turn, the long haul market has driven up the price of equity to the point where many potential investors have become disillusioned with the returns.

Over the past 12 months or more this combination of factors has led to what Mark Spinner, a partner at solicitors Eversheds, specialising in corporate finance, describes as "a steady drift to exclusive debt-funding. In some cases the gearing can be 200 per cent or more".

We have been here before. In the late 1980s a number of highly geared buy-outs came badly unstuck when the sudden economic recession left them unable to service their mountains of debt. Mr Spinner advises managers today "to exercise extreme caution" and worries that "there could be a danger that this type of structuring could cause a loss of confidence in the whole market".

Dr Ken Robbie, of the Centre for Management Buy-out Research at Nottingham University, bears out the existence of the trend. "In 1996 only 6 per cent of deals were debt-financed. A poll we conducted recently showed that this had risen to 10 per cent of deals carried out in 1997." Dr Robbie, too, is concerned that today's managers should remember how easily gearing can become a millstone.

The type of gearing favoured by would-be entrepreneurs seems to depend

largely on the size of the deal. Very large companies favour what are now called high yield bonds but which, by any name, are still what they have always been - junk bonds. They have particular appeal to US investors who have always regarded them as natural instruments for companies in an early stage of growth. Not even the scandals in the US junk bond market in the 1980s have lessened their appetite for them.

High yield bonds are also beginning to creep into the UK market. Andy Grove, assistant director at Coopers & Lybrand Corporate Finance, believes their reappearance is the most worrying feature of today's overheated market, not least because they are linked to big-ticket deals and could therefore have a significant impact if they go sour.

Far more typical of the UK market, however, is the form of financing associated with smaller buy-outs - asset-backed financing. Traditionally, where clearing banks have been a source of financing, they have looked to a company's cash flow to service any loans. But there was always another option available to hard-pressed companies - factoring. The finance manager could hand over management of the company's debtors' ledger to an independent factor who would take on responsibility of chasing up poorer payers to maximise returns. The company could expect to see more income from its invoices than when it managed them itself, even allowing for the factor's fee.

Factoring, however, suffered from an image problem. It was seen as lending of last resort. Today's asset-backed financing is in direct line of succession to factoring but without the stigma. The core is still the debtors' ledger but the company directors retain control of its management and the outside lender provides a lump sum

loan up-front based on a discount of invoice values. The principle of invoice discounting can then be extended to loans secured on the company's other assets, particularly raw materials and stock, but in some cases even property.

From the lenders' perspective, asset-based financing has the advantage of being closer to secured lending, since it is linked to the value of assets, even if they may vary in quality from doubtful invoices to independently verifiable property values. Further assurance comes from the lender's ability to set the discount it is prepared to offer and the fact that it can exclude invoices which it deems unredemptable, such as bills unpaid for more than 60 or 90 days.

Lloyds TSB has been the market leader in the UK in providing asset-backed finance over the past 18 months, through its commercial finance division. Director John Kilbee has seen a number of buy-outs arranged by his department go from fewer than 30 in 1996 to between 25 to 30 last year with no slackening in growth so far.

Mr Kilbee acknowledges that the comfort some lenders derive from assuming that asset-backed loans are fully secured, may be illusory. But he claims the risk can be controlled by due diligence in looking at every deal on its merits. "It does offer us a chance to provide more leverage. If the asset base can support it we can suggest higher levels of debt than a clearing bank would typically suggest. But we don't just leave up to the maximum. We look at every deal individually and particularly at the quality of the management."

Lloyds TSB has maintained this somewhat paternalistic approach since its involvement in the Dalgety Produce buy-out in 1996. But it is now coming under competition from larger, global



John Kilbee: no slackening in MBO growth so far

operators more familiar with a formula-driven strategy. Late last year Bank of New York bought Lloyds' own factoring business, International Factors, and is rapidly developing it.

Others are not far behind. As early as September 1996 the long-established Association of British Factors and Discounters merged with the Association of Invoice Factors and the European Chapter of the Commercial Finance Association to become the Factor and Discounters Association. Its members represent 98 per cent of those in the industry. Most are driven by their parents' need to place increasingly large amounts of capital,

preferably outside the quoted equity markets whose long bull run is increasingly giving rise to anxiety.

The impact is already to be seen in the ratcheting up of gearing levels in today's buy-outs. It is not uncommon for them to carry loans amounting to more than 200 per cent of relevant asset values. Given that the value of many of the asset classes (such as invoices) are based on subjective judgments, and the value of others (such as stocks) does not exist until tested by a sale in the open market where sentiment may abruptly alter, there is cause for some concern.

NEW FINANCING TECHNIQUES • by Simon Davies

Junk bond injection

High yield bond market provides venture capitalist with new opportunities

After a number of false starts, Europe is finally seeing the beginnings of a substantial leveraged loan and junk bond market, which is considerably changing the ambitions of the venture capital industry.

Charles Wickham, managing director of European leveraged finance at Merrill Lynch, argues: "It has changed the entire buy-out business. Three years ago, if you were selling a business of size, your first call would probably be to a corporate client. Whereas now, it would be as likely to be an equity house."

Given the \$500m acquisition of IPC Magazines is a classic example of the new status quo, with \$250m of the deal refinanced through a leveraged loan, and \$150m through junk bonds. And the \$1.7bn KNP buy-out, the largest buy-out so far this year, is likely to spawn the largest European currency junk bond issue.

The pace of growth of these debt instruments partly reflects the amount of cash that has been raised for European-focused buy-outs funds themselves. And the opportunity to add other forms of finance is enabling venture capitalists to compete with focused industrial buyers, and acquisitive conglomerates, and to win.

Of course, Europe has seen it all before. Magnet and Isoceles, two of the more famous business collapses of the last decade, were both the products of extremely leveraged buy-outs.

And Switzerland nurtured a junk bond market which boasted Polly Peck and Bond Corporation among its issuers, before the market evaporated in the early 1990s.

But, in its latest incarnation it has been a case of so far, so good. Last year, around \$1.8bn was raised in European currencies in the high yield bond market, and more than \$3bn has been

issued already in 1998.

In 1997 there were around \$8bn in European leveraged loans, and this will be exceeded in the first half of the year. And despite the flight to quality after the Asian crisis last year, bonds and loans have traded in line with the bond markets, with no crises as yet.

Venture capitalists argue that despite the connotations of the junk bond market, they are not creating excessively risky structures. "High yield bonds allow you to borrow at relatively low rates compared with the cost of equity. And you have long-term money," said Colin Buffin, joint managing director of Candover.

Moreover, these instruments offer a more flexible repayment structure, with less of the heavy capital repayments of standard bank debt.

Matthew Collins, managing director of investment banking at Bankers Trust, said: "The thing that kills off companies is an inability to service their debt. These debt instruments allow companies to reduce the risk of repayment default."

There is always the risk, however, that the availability of funding will encourage over-payment for deals. And the cost of supporting highly geared acquisition vehicles can be steep. The recent William Hill bond issue pays a coupon of 10%, or 475 basis points more than the 10-year UK gilt, although TM Group paid 12% per cent on its recent sterling issue.

Additional financing clout for the industry is also being provided by the use of securitisation as an acquisition financing tool.

Asset-backed securities, where bonds are issued backed by the cashflow from an asset portfolio, can provide low cost financing. Nomura International demonstrated the potential by out-bidding private equity groups to gain Angel Trains and Phoenix pubs, and refinancing the deals through securitisation.

Paul Taylor, managing director of Duff & Phelps Credit Rating in London, said: "It is not the fix for

everything. But securitisation is going to be a viable alternative where you are buying a stable and predictable cash flow that you can value. Wellcome Break (the motorway service station buy-out) was a classic example."

Virgin also demonstrated that the capital markets can provide near start-up capital, with the £74m raised from units of bonds and equity warrants to finance its V2 record label.

But while there has been a substantial increase in the financial instruments available to European private equity companies, demand for this debt is struggling to keep pace with supply.

The junk bond and loan markets in the US still dwarf those of Europe, with outstanding bonds in the US high yield market amounting to more than \$500bn.

Mr Wickham said: "The loan market is not as deep as it needs to be. To sustain the level of growth that is possible, there needs to be more resources."

In the US loan market, there are a substantial number of specialist institutions buying leveraged loans and high yield bonds. In Europe there is a handful.

Merrill, along with SBC Warburg, had to withdraw its \$500m loan to HSIV Media from the euroloan market after bankers resisted what was deemed to be an overly aggressive structure - and additional \$50m of equity has since been injected into the company. Loans for IPC and William Hill also struggled in the bank market.

With the advent of the euro, there will be a much larger, more homogeneous pool of investors, at a time when falling yields in the government bond markets, and the loss of foreign exchange plays, is likely to drive demand for credit risk as a means of improving performance.

But the pace of change is likely to be gradual, and the venture capital industry may find itself relying on the support of high yield investors in the US for some time to come.

profit-making chemical reaction

DIAMOND CABLE
Diamond Holdings plc
US\$110,000,000
9 1/4% Senior Notes due 2008
£135,000,000
10% Senior Notes due 2008
Sole Manager

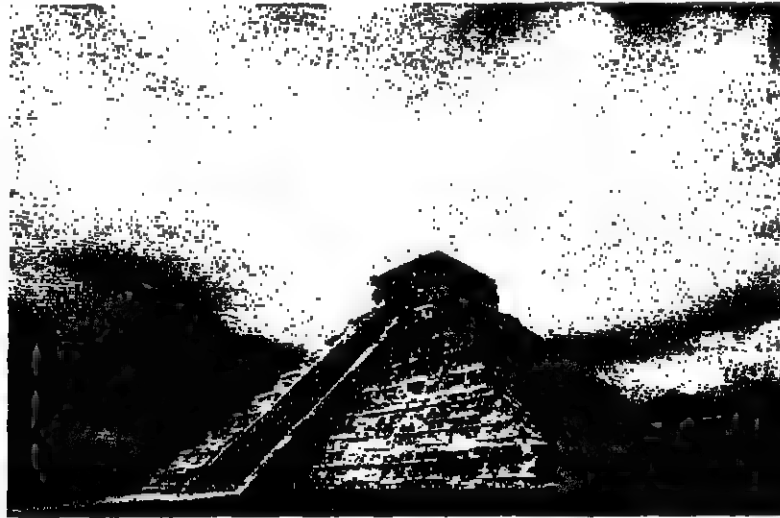
£605,000,000
lpcmagazines
£425,000,000
Senior Credit Facilities
£120,000,000
9 1/4% Senior Notes
£60,000,000
10 1/4% Senior Discount Notes
Arranger and Sole Manager

DM\$75,000,000
ITT Promedia CVA
9 1/4% Senior Subordinated Notes due 2007
Joint Bookrunner

DM\$296,000,000
RSL COMM
RSL Communications
10% Senior Discount Notes due 2008
Joint Bookrunner

TM Group Holdings PLC
US\$175,000,000
11 1/4% Senior Notes due 2008
£55,000,000
12 1/4% Senior Subordinated Notes due 2008
Sole Manager

£290,000,000
Regional Independent Media
£175,000,000
Senior Credit Facilities
£115,000,000
Mezzanine Financing
Sole Underwriter



El Casto, Chichen Itza

1839: the sacred temple of the ancient Mayans is discovered.
1997: a ground-breaking new source of capital is discovered.

High yield debt has crossed the Atlantic and, with the help of Goldman Sachs, companies throughout Europe are reaping the benefits of the Euro-denominated market. We have the global resources and distribution network to anticipate clients'

needs and to respond to them with speed and certainty. From syndicated lending to mezzanine financing to high yield debt, when it comes to leveraged finance, turn to Goldman Sachs. And you'll unearth a wealth of new financing opportunities.



6 PRIVATE EQUITY - THE BUY-OUT MARKET

SECONDARY BUY-OUTS • by David Cowan

Rollercoaster ride for an exit tool

The annual rise in secondary buy-out activity in 1997 was 20 per cent

A recent corporate reengineering tool it may be, but secondary buy-outs have experienced something of a rollercoaster ride in the past decade, which may be a result of it not being the first choice of exit for investors. In looking to exit a buy-out, investors can do one of five things, in order of preference: flotation, trade sale, share buy-back, secondary buy-out or recapitalisation.

Research conducted by the Centre for Management Buy-Out Research (CMBOR) at Nottingham University shows secondary buy-outs peaked in the late 1980s and then declining, rising rapidly from 1993 to 1996 only to fall again last year. However, towards the end of 1997 a number of large exits took this route. Another survey, conducted by law firm Dipp Lupton, measured an overall rise in secondary buy-out activity from 12 per cent in 1996 to 20 per cent last year.

Trevor Jones, managing director of Gresham Trust, states: "This is very much a new phenomenon. What you are finding is that buy-outs from five to seven years ago which have done well, now have investors who wish to concede value and want to leave. The management team wants to stay, so a secondary buy-out is used to finance that transaction, getting the original investors out and the new investors in."

According to CMBOR the average age at which secondary buy-outs occur is five years and 10 months. It is rarely, however, the first option and is frequently due to unsuccessful attempts to

conclude a trade sale, thwarted by low pricing or management opposition. About three-quarters of the deals concluded are less than £5m, but there are larger deals being done, such as the £28m transaction undertaken earlier this year by Gresham Trust for engineering firm Beck & Politzer.

Taking the secondary buy-out route has its pros and cons, as Mark Vickers, national head of banking at Dipp Lupton, explains. "For the management there is the problem of having been through the trench warfare of a primary deal, and handling the relationship with an institutional investor. Just the thought of going through it all again with a new investor is off-putting."

"The answer to this is for managers to prefer the enthusiasm and appetite of growing the business, and identifying the opportunity that might be there."

Mr Vickers adds: "The attraction of the secondary deal is that the original risk inherent in the first management buy-out transaction has dissipated, and the real results of that transaction have been proven. The confidence of the managers in the buy-out is equally proven, thereby giving greater confidence to the institutional investor."

Another problem in entering a secondary buy-out is that the seller does not provide warranties or the usual legal protections. The new investors will have to look to the management team for that.

Though once an object of suspicion, there are a number of reasons for a secondary buy-out, as Mike Stevens, head of buy-out services at KPMG Corporate Finance in London, explains. "Managers may want to go for a second stage of growth, investors may need an exit,



Mark Vickers (left) and Ronald Cohen: taking the secondary buy-out route has its pros and cons

a venture capital house may feel the deal would be more appropriate for another house, or there may be an imbalance of investors. There are a series of reasons why a secondary buy-out may take place."

Ronald Cohen, chairman of Apex Partners, states: "Secondary buy-outs are not something to be frowned upon as there are a lot of sound reasons why venture capitalists want to exit. In a sense an old taboo is being broken, one of not buying into another venture capital situation, but in more mature companies there may be good reasons for doing so. It's not just money, but also depends on how you do it. However, the advantages for the firm are less debt, more money in and a new management team."

Is this then a case of doing competitors a favour? Mr Cohen responds: "Depends on what you're getting out of it, and what they get out of it. If you have a good return then you're happy. Depends on who is doing what to whom, you never know until the end."

"In one buy-out, H-Tech, we made nine or 10 times a return when we sold out to 3i, which also did well when they sold out."

Mr Cohen suggests: "Investors usually prefer to exit in the case of companies which are doing well by going public or through a trade sale, so the secondary buy-out market will focus more on companies which are not doing terribly well. I don't see this situation

changing for the time being."

Mr Jones disagrees: "That's a fallacy. A secondary buy-out where you can't sell by another route is not one we would want to get involved in. We look for situations where there is good business, good growth and management wants to keep it going."

The trend is also taking hold elsewhere in Europe, a good example being Neopost, the French franking machines and post room equipment group, which saw one of the original investors, BC Partners, buying out the major shareholders. The story does not end there, because BC Partners expects to float the company within the next three years.

Raymond Svider, of BC Partners in Paris, states: "For us, this secondary transaction was more of a way to provide an exit for the other shareholders, who needed to exit to show liquidity in their portfolio. We did not have that constraint, and we had belief in the company."

Mr Svider explains: "The main difference in France is that where there was a strong management team which wanted to keep a stake in the company, and where there was no real trade buyer, flotation was not seen as an option, because LBO flotations were not common in France. Now it is becoming an option, and so you are seeing a trade-off between flotation and secondary buy-outs."

CASE STUDY Dalgety

£110m exercise in good faith

Last month shareholders in Dalgety approved the last main stage in the company's repositioning - the management buy-out of its grain business, Dalgety Agriculture.

In the headlines the deal was described as a £50m exercise, but that was just the sum the parent company's shareholder's receive for their ownership rights. The true cost of acquiring the business, whose £1bn annual turnover represents nearly a third of British agriculture, was in fact £110m. Even that price was significantly below net asset value, a reflection of the effect of BSE on the health of British agriculture. Dalgety Agriculture normally makes annual profits of £25m. Today it is just breaking even.

The sharp downturn in the industry may have given Paul Kirk and Tony Taylor a rare opportunity to set themselves up as chairman and managing director respectively of an independent company which will carry the Dalgety name.

For NatWest Acquisition Finance, which has provided the funds, it represents an act of faith.

Reassurance comes from the high reputations of the management and the fact that £100m of the total is in the form of loans secured against the company's own debtors' ledger, a register of the country's largest millers and farmers. If any section of British agriculture can be said to be a good credit risk, it is DA's customers.

Moreover, as Mike Stevens, UK head of management buy-out services at accountants KPMG, points out, Mr Kirk's team operates an impressive management system which lays off most of the company's risk through a series of closed loops which makes raw material suppliers and users of feedstuffs share mutual contractual obligations.



Mike Stevens (left) and Paul Kirk (right) team operates an impressive management system

Mr Stevens devoted four months to advising the management and helping to structure a deal which was necessarily complex. Involving as it did, the EU Intervention Board, a global currency trading operation and the web of business guarantees and obligations needed to underpin a business of Dalgety's size.

It is difficult to escape the conclusion that the buy-out was structured on debt because the management - like most British and American entrepreneurs - was unwilling to see their ownership of the business diluted by outside equity holders. The parent company, which has sold off a number of businesses in the past two years, was also nervous of potential buyers who might use the management merely to front their own interests.

Mr Stevens admits that part of the attractiveness of NatWest to the parent company was that it did not want to be the new owner. But Mr Stevens also outlines positive benefits from the structure eventually devised. In the

first place because NatWest was content to leave nearly all the equity with the new board, they have been in the position to broaden the involvement of middle management and staff by setting up a staff trust to hold 20 per cent of the shares. NatWest has also chosen to act in the style of a supportive shareholder by offering a non-executive director for the board.

Mr Stevens also notes that in any case equity-based deals are not always what they seem. Many involve substantial amounts of mezzanine finance. That usually means large tranches of debentures or loan notes which, while subordinated debt, take precedence ahead of unsecured creditors.

It remains to be seen whether Mr Kirk's team will live to rue the day when they took on so much debt to avoid giving away equity. Even the best arable farmers and grain processors have been hit by the collapse of the cattle industry. Dalgety's invoices may not be quite as unshakable as they look. The longer the downturn in

British agriculture, the more nervous NatWest is certain to become. And the pain is not over yet despite the improvement in the hitherto lamentably poor performance of government departments and specialists in enforcing the changes in slaughtering and rendering practices essential for eradicating the disease from the national herd.

So much for the down side. It would be a profound pessimist who feared that Dalgety Agriculture might be swamped by its debts. The financing structure was, after all, devised by the corporate finance teams at KPMG and NatWest which have experience in depth in the buy-out industry. Mr Stevens expresses confidence in "the quality and experience of the management team coupled with the underlying strength of the business". He is surely right that the company will once again "stand at a premium to its NAV" and, when it does, Mr Kirk and his team will feel smug about having held on to the equity.

Christine Moir

PPM VENTURES

Acquisition of a majority stake in

SUSPA
COMPART AG

Arranged and led by
PPM Ventures Limited

Advised by
Vector Beteiligungsberatungs GmbH

PPM Ventures - Backing business

PPM Ventures Limited
1 Waterhouse Square
Holborn Bars
London EC1N 2ST
Tel +44 (0)171 831 7747
Fax +44 (0)171 831 9528

Regulated by IMRO

This announcement appears as a matter of record only

FFr. 2.8 billion
leveraged buy-out
of

HRC HOLDING
DE RESTAURATION
CONCEDES
and
ELITAIR

equity provided by

Advent International Bercy Management

Advent International
GLOBAL PRIVATE EQUITY

September 1997

Advent International plc is regulated by IMRO

Advent International
GLOBAL PRIVATE EQUITY

Advent International plc
123 Buckingham Palace Road
London SW1W 9SL
Tel: 0171 333 0800

Working
with
Business

£801,000,000

leveraged acquisition by

HMV Media Group plc

W
WAGGESTONES

Equity led, structured and underwritten
by

Advent International The EMI Group

March 1998

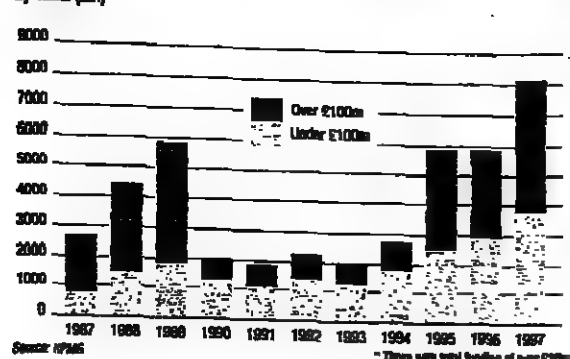
Advent International plc is regulated by IMRO

Advent International plc is regulated by IMRO

مكتبة الادب

صكنا من الامل

Larger UK MBOs/MBIs*



Size range of buy-outs 1997

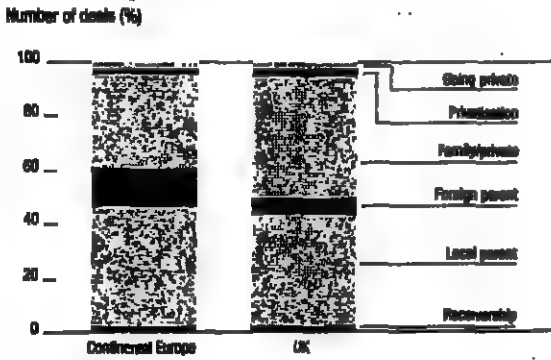


Leading mezzanine arrangers

January 1 1990 - December 31 1997

Mezzanine deal leader	Number of deals	Total debt (£m)	Average value (£m)
Intercontinental Capital Group	27	30	8
Lazard & Co. (London) / Lazard & Co. (Paris)	20	220	11
Wolfe	18	160	9
Bank of Scotland	15	71	4
HSBC	9	42	5
Royal Bank of Scotland	8	38	4
Barclays Bank	6	241	40
Macquarie Management	5	45	9
Deutsche Morgan Grenfell	4	37	9

Sources of buy-outs 1997



CASE STUDY United Provincial Newspapers

Batman and Robin in newspapers

Batman and Robin are back - and in the newspaper business. It that seems an unexpected consequence of last February's £550m management buy-out of United Provincial Newspapers, led by Candover, there is a rational explanation.

In the flesh, the dynamic duo are Chris Oakley, chief executive of Yorkshire Post Group, formed from UPN, and his non-executive chairman Sir Norman Fowler, the former Conservative social services secretary. Both were installed by Candover after the buy-out at UPN. Mr Oakley, who was previously a director of Mirror Group, dubbed the pair the dynamic duo because they worked together before at Midland Independent Newspapers, where Candover had also led a buy-out, valued at £125m, in 1991. Min was successfully floated three years later. Candover and the former UPN management team hope that YPG, which prints the Financial Times in Leeds, will be another profitable foray into regional newspapers. Colin Buffin, a director of Candover, said: "It's a sector we like. We're backing people here. Our skill is in finding and motivating good quality management and helping them to build the business." UPN consisted of the northern interests of United News & Media, the group controlled by Lord Hollick, owner of the Express newspapers and a Labour peer. At the time of sale, UPN had 44 daily, weekly paid and weekly free titles across the north of England. Taken together, the papers are the fourth biggest regional newspaper group in the United Kingdom and account for about 7 per cent of total

newspaper circulation. The flagship paper is the Yorkshire Post, which prompted the change of company name. Given the local loyalty such titles command, few people doubt that YPG is basically a good business. But eyebrows were raised at the price UPN fetched. Candover was one of half a dozen serious bidders for the titles in an auction organised at the end of last year by Dresner Klewort Benson. Bidders which fell by the wayside included CVC Capital Partners, Advent International, and Trinity International Holdings, another regional newspaper group.

Candover backed UPN's management, among whom the leading lights were Steve Kendall, managing director of UPN Yorkshire, and Steve Aukland, managing director of UPN North West. Sue Laverick, YPG's financial controller, said that the management had negotiated on the basis of budgets drawn up in 1997 for the old UPN management.

The budgets had to be realistic because United News & Media did not know for sure when or if the group would change hands. Ms Laverick said Candover had offered a lot of support. She recalled: "They said: 'What do you think the business can deliver?' The budgets were adjusted in the light of the deal's financing structure and altered assumptions such as the state of the economy and the ups and downs of recruitment advertising - a crucial part of the group's revenue."

The eventual financing had four elements. There was £111m of equity, of which £55m came from the Candover 1997 Fund, a war chest of £250m which Candover announced in December that it had raised

for buy-outs in the UK and continental Europe. Investment affiliates of Goldman Sachs International and Alpinvest provided the rest of the equity.

In addition to the equity there was £150m of senior debt and a £25m revolving credit facility. What was in many ways the kicker came from £150m of mezzanine debt which is being refinanced as high-yield bonds.

Goldman Sachs structured and underwrote the senior debt and high-yield bonds. Analysts pointed out at the time that the price represented 2.6 times 1997 sales, compared with an industry standard of about two times. UPN's turnover in 1997 was £141m, generating operating profits of £27.2m. Mr Buffin admitted at the time that Candover had paid a "full price".

But he argues strongly that the renamed YPG has considerable potential. In general, he maintains, regional newspapers are underestimated. They benefit from local loyalty and have a solid classified advertising revenue base. YPG in particular has strong brands and relatively low costs.

Mr Oakley was blunt about the charge that the price had been excessive. He said: "That's what the people who come second always say." As a former rock critic of the Leeds Evening Post, deputy editor of the Yorkshire Post, and editor of the Liverpool Post & Echo, he certainly cannot be accused of being a manager who knows nothing about journalism.

For Mr Oakley, the model is Min, which was also regarded as a risky venture but which made profits throughout the recession of the early 1990s. He said: "I view regional newspapers as



Chris Oakley: 'We don't buy an asset and sit on it'

being an information franchise." The strategy is to improve margins at YPG by developing every market of interest to readers while running the business as efficiently as possible. "The options include scaling down the circulation of some free sheets, cutting editorial quotas, and searching for new ways of using the classified advertisement base. Classifieds could, for example, be put on to the internet in a searchable form. Mr Oakley said: "That's wonderful content to have."

Mr Oakley and Mr Buffin

both identified newspaper prices and the cyclical nature of classified advertising, particularly in lucrative recruitment advertising, as the main risks. YPG is also well aware, as Mr Oakley put it, of the danger of being "zibbled to death by specialist titles". But Mr Buffin said: "We don't buy an asset and sit on it."

The original plan was to float the company after between three and five years, as with Min. There have been hints, however, that Candover may be willing to hold on to its investment for as long as seven to 10 years. Mr Buffin

skilt: "Holding periods are going to be longer in venture capital." In many ways, the Candover-backed buy-out of UPN was a textbook example of the increasing sophistication of buy-outs in sometimes unfashionable sectors where the assets have to be stretched to meet the required high returns on a full purchase price. Pulling off the Min trick again may not be easy. But every fan of Batman and Robin knows that the dynamic duo invariably confound the villain in the end.

Michael Prest

ENTREPRENEURIAL SPIRIT

Barclays Bank
Management Buy Out with
£34,500,000 total funding
Led, Structured and Arranged
by Barclays Private Equity
£11.55m equity investment by
Barclays Private Equity
Sole Investor
April 98

Dealford
£21,000,000
Institutional Buy Out of
Dealford
Led, Structured and
Arranged by
Barclays Private Equity
March 98

Philips Photonics
FFR Undisclosed
Management Buy Out of
Philips Photonics
Led, Structured and
Arranged by
Barclays Private Equity
Paris
March 98

Fauchon
FFR Undisclosed
Management Buy In of
Fauchon
Equity co-led by
Barclays Private Equity
Paris
March 98

Norfolk and Norwich Hospital
£214,000,000
Design, Building, Financing
and Operation of Norfolk
and Norwich Hospital
Equity co-invested by
Barclays Private Equity
January 98

Workplace Technologies PLC
£50,000,000
 flotation of
Workplace Technologies PLC
Original MBO Equity
co-invested by
Barclays Private Equity
November 97

Crystal Holidays
£150,000,000
Management Buy Out of
Crystal Holidays
Led, Structured and
Arranged by
Barclays Private Equity
October 97

ENERTEC
FFR 63,000,000
Management Buy Out of
Enertec
Led, Structured and
Arranged by
Barclays Private Equity
October 97

Aurolog PLC
£70,000,000
 flotation of
Aurolog PLC
Original MBO Led,
Structured and Arranged by
Barclays Private Equity
October 97

Barclay and Gravesham Hospital
£140,000,000
Design, Building, Financing
and Operation of Barclay
and Gravesham Hospital
Equity co-invested by
Barclays Private Equity
August 97

Carrs Paper
£25,000,000
Institutional Buy Out of
Carrs Paper
Led, Structured and
Arranged by
Barclays Private Equity
April 97

AHC-Oberflächentechnik
DM 76,000,000
Management Buy Out of
AHC-Oberflächentechnik
Equity co-invested by
Barclays Private Equity
February 97

BARCLAYS CAPITAL

BIRMINGHAM LEEDS LONDON MANCHESTER MILAN MUNICH PARIS READING

<http://www.barclayscapital.com>

Barclays Bank plc is regulated by SFA

8 PRIVATE EQUITY - THE BUY-OUT MARKET

FRANCE • by Andrew Jack

Removal of stigma on the way

The rising value of buy-outs reflects growing interest and acceptance

The stigma is beginning to be removed from management buy-outs in France. The average value of deals undertaken more than doubled last year and firmly re-established the country as the leading centre in continental Europe.

John Singer, director of Advent International, a private equity investment group, says: "If financial buyers were not exactly lepers, we were certainly not totally acceptable. But that is changing now."

He co-ordinated a complex transaction at the end of 1997 which involved a buy-out from another financier of Elitair, a contract catering company, which was in turn combined with two other businesses in the same sector.

Mr Singer cites the case of a company he tried to persuade to sell a subsidiary seven years ago. "At the time, the reaction was suspicion. When I tried for a second and third time, there was less suspicion. Now they have come to me asking if we are interested before they carry out an auction."

Certainly figures published by European Buyout Review seem to support the anecdotal experience of a growing interest in and acceptance of buy-outs in France. There were 126 deals in 1997, up from 103 in 1996, and the highest in any year since 1990. The average value increased from FF10.4m to FF25.5m.

Clement Cordier, a partner with 3i in Paris, cautions that the average value in 1997 was pushed up by six "enormous" deals, and will

not necessarily be repeated again this year. But he argues that the underlying trend is firmly upwards.

He says that in the past, family-owned businesses were traditionally handed on to children, or to large industrial buyers. "There is a fascination with big groups in France," he says. The disappointing experiences of sales to staff - such as at Moulinex and Jannet - helped tarnish the image.

Now, sellers are willing to consider buy-outs more readily. "Before, people only talked about failure. It was very French. Now people are willing to talk about the successes. Information is circulating and positive testimonials exist."

Charles Diehl, head of Barclays Capital Development, says: "Corporate France has realised that financial buyers are a good solution." He argues that a younger generation of French managers has been focusing more on shareholder value and focusing on core business activities.

He stresses that a few leading examples - such as Jean-Marie Messier, the chairman of Vivendi, the utilities conglomerate which has disposed of subsidiaries such as Compagnie Générale de Santé, Compagnie Générale des Espaces Verts and MC International have "put a stamp of approval" on buy-outs.

For example, Danone, the agro-food group, has sold off its Delta sauces, soups, pasta and pre-prepared foods division. Sommer Allibert sold its bathroom fittings business. Pechiney has disposed of its MFSA sodium activities, and Rémy Cointreau its Séguin Moreau oak barrels company.

Dominique Magret, a board member with Paribas Affaires Industrielles,

CASE STUDY Elis

Laundry giant gets ready for market

The buy-out is long done and Jean Leducq retired for more than a year. Yet the man who presided for three decades over Elis, the leading French textile rental and laundry company founded by his grandfather, still commands hushed tones when he is mentioned.

His colleagues and the financiers to one of the biggest buy-outs in France last year remain sufficiently in awe that next to nothing emerges about this "remarkable" entrepreneur who achieved compound annual sales growth (including by acquisition) of 13 per cent since 1987. It slips out that he has a vineyard in the US, and, more importantly, no children, hence prompting the sale of the company.

Otherwise, it is his obsession with secrecy that still plays like a leitmotiv through every conversation. Elis is in many respects typical of the scores of private family companies facing succession problems that interest private equity houses trying to penetrate the French market. Even if Mr Leducq may be exceptional, many have powerful and secretive owners, which means that houses with a strong French presence - such as BC Partners, Elis's lead investor - are likely to be better positioned. But Elis, with sales of a bit more than FF6bn last year, is a lot bigger than most candidates. When it is

brought to the stock market in due course, it will be closely watched to see how a large Anglo-Saxon style financial purchase has fared under its new owners and how eagerly the bourse accepts it.

Like many of his kind, Mr Leducq agonised for some while before deciding to sell. "It's emotionally not easy. You have a conflict of interest between your head and your heart," says Philippe Bernard, president, who has been with Elis since 1973 and who sounded out potential investors - including Henry Kravis, of the powerful US buy-out house Kohlberg, Kravis, Roberts.

BC Partners took a call from Baring Brothers France, which had heard Elis was on the market, at an opportune moment. Mr Leducq had come close to selling out to a German industrial buyer, but had apparently walked away when the Germans attempted to renegotiate an element of the transaction. During the summer of 1996, Michel Guillet, a senior partner at BC Partners Paris, struck up a relationship with Mr Leducq and quickly gained exclusivity. He handled the sale negotiations, while the London office of BC Partners put together the multi-layered debt facility, led by Goldman Sachs, and performed the due diligence on the US business, which accounts for just under a

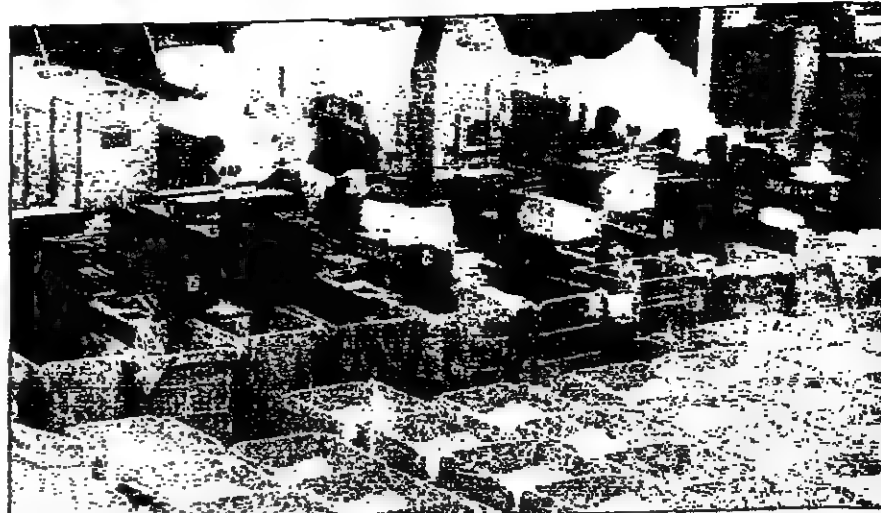
quarter of the group's sales.

The new investors reckoned they had a company with good defensive characteristics as well as attractive growth prospects. Elis has some 230,000 customers. Most are very small - such as Mr Bernard's Parisian hairdresser - spending an average of just FF1,000-1,500 a month. Contracts are typically three years, which aids predictability.

At the other end of the scale are Eurodisney and a number of big hotels, serviced by a plant near Meaux outside Paris which represents high-tech industrial laundry on a grand scale.

At Magic Rambo, as it is amusingly named, the plant manager gives a slick presentation - with prices already in euros - showing how he services 200 customers, 9,600 hotel rooms and 80 restaurants. The plant washes 300 to 450 metric tonnes of linen a week. Four giant machines iron 800 sheets an hour each - while Mr Bernard winces at the continued presence of an ordinary household electric iron, with yards of ancient flax, which obviously still has its uses in emergencies.

The price of the buy-out, completed in early 1997, is, unsurprisingly, secret - but is estimated to have been at least FF6.1bn (\$1bn). Mr Guillet denies rumours that he paid handsomely. "Not



Elis's high-tech Magic Rambo plant

one of the 35 banks in the syndicate financing this deal share that view. Rather on the contrary," he says the company has performed "above plan" in the first year and has shown "an important improvement" in profitability.

So what has changed since the buy-out? Mr Guillet is anxious to emphasise continuity and his initial response is "nothing". He eventually admits to "a change in culture because the owner does not run the company any more". Managing the departure of "an extraordinary character" has clearly been delicate. "I constantly have to explain that there are now two hats, that of management and that of ownership," he says.

One participant in the deal elaborates: "You have the transition from an environment where management had looked to Leducq for all the answers. Here were very good operational managers who could raise their sights once Leducq was off the scene. In some senses Michel [Guillet] has taken on Leducq's mantle in his role as majority shareholder. But he pushes Philippe [Bernard] forward and himself backwards."

With an eye towards flotation, one priority was to sharpen up reporting procedures. Previously, says one observer, information was restricted to "what the owner felt he needed". A new group finance director has been brought in - Jean-Xavier Gauthier, formerly

European finance director of Kraft Jacobs Suchard. There is also a new finance director for the US business.

Management consultants were hired to consider growth prospects in France - where there is little room for further acquisition but where outsourcing is seen as an important source of extra business. The new owners are also encouraging a more pro-active acquisition strategy in the US, where the market is still fragmented.

Keeping up Mr Leducq's growth record - without Mr Leducq - will still be quite a challenge, but entirely necessary if the investment is to be a big success.

Katharine Campbell

argues: "There are now entrepreneurial managers who may not be ready to found their own companies but are willing to take the risk of a buy-out." He adds that low interest rates and the prospect of the euro have also helped to encourage the appetite for buy-outs.

So too has the booming stock market, and the creation of the *nouveau marché* two years ago for fast-growing companies. That has created new possibilities for

exits from buy-outs. Entrec, for example, acquired in 1994, was floated on the second market in June 1997.

However, an exit via the stock market is not always without problems. Findlay Black, managing director of the Paris office of CVC Capital Partners, the dominant shareholder, admits stock market fluctuations at the time triggered by France's general elections meant that "we had a bit of a traumatic period".

What is striking about the sources of funding for buy-outs in France in recent years has been the dominance of Anglo-American institutions, even if Richard Winkles of Schroder Ventures says there are more domestic players than in other continental European countries such as Germany.

That partly reflects saturation of the UK market, which has been increasingly driven British institutions to seek new opportunities in

continental Europe. The result has been to push up transaction prices considerably in France - which is causing some observers to worry if the market is beginning to over-heat.

The dominance of the "Anglo-Saxons" is also the result of some painful experiences in the late 1980s and early 1990s, when several of French institutions, such as Alhus, a subsidiary of Crédit Lyonnais, paid high prices to take large equity stakes, and

were rewarded with disappointing performance.

That has at least provided an additional source of deals for buy-out backers, notably with the gradual sale of the industrial participations acquired by Alhus which are now being sold off by the Consortium de Réalisation (CDR) as part of a state-backed rescue plan for Crédit Lyonnais.

However, Mr Winkles argues: "It can be difficult for foreign buyers. There is

still not quite a level playing field. I wonder what will happen when, for instance, a significant stake in a defence company is up for sale."

Certainly, Benoît Bussi, managing director of NatWest Equity Partners in Paris, says: "There is concern about foreigners, who can be treated like pariahs."

The principal of buy-outs may have been accepted in France, but the mechanisms still do not always favour every type of buyer equally.

THIS ANNOUNCEMENT APPEARS AS A MATTER OF RECORD ONLY

1998 INVESTMENTS - THE STORY SO FAR...

JANUARY

£12m MBO

Warings

LEADING DESIGN & CONSTRUCTION THROUGHOUT THE SOUTH

MARCH

£6.5m IBO

RIBBONS

THE UK'S SOLE MANUFACTURER OF AUTOMOTIVE SEAT BELT WEBBING

MARCH

£28m MBI/MBO

Beck & Pollitzer Engineering Ltd

A LEADING PROVIDER OF INDUSTRIAL INSTALLATION AND RELOCATION SERVICES

Equity led, structured, and underwritten by GRESHAM TRUST p.l.c.

GRESHAM TRUST

EQUITY CAPITAL FOR MANAGEMENT

One South Place, London EC4M 3DF • Tel: 0171 454 0200 • Telephone 0171 999 5000
Regulated by the Securities and Futures Authority

Led Investments of Over ECU 100 Million in the Last 12 Months...

Gemplus SCA

Minority Equity Investment

France

FF142.1 MM

Silvertech International plc

Development Capital

UK

£6.25 MM

Panta Electronics BV

Management Buy In

Netherlands

NLG10 MM

Euronet Holdings Inc.

Growth Capital

Central Europe

\$3 MM

Vimercati SpA

Management Buy Out

Italy

Lire 23 BN

Euralcom BV

Management Buy Out/Recapitalisation

Netherlands/Italy

NLG14.2 MM

IFCO GmbH

Growth Capital

Germany

DM45 MM

Card Clear plc

Minority Equity Investment (AIM Listed)

UK

£5.9 MM

Pan-European Private Equity

GE Capital
Equity Capital Group Europe

London • Frankfurt • Milan • Stockholm • Warsaw

GE Capital Limited • Charges House, 6-12 Charges Street, London W1Y 8DH • Phone: +44(0)171 302 6000

*Regulated by Securities and Futures Authority

مكتبة العدل

CASE STUDY Texas Pacific Group

Penchant for complex deals

"Some of our best deals have been those where people had initially rung up and told us we were crazy." So says James Coulter, a founder of Texas Pacific Group.

The Fort Worth and San Francisco-based private equity firm - with its penchant for complex, contrarian deals - is now stepping up its presence in Europe. Founded in 1982 by David Bonderman, Mr Coulter and William Price, Texas Pacific's distinctive style has been honed during the 1980s when Mr Bonderman and Mr Coulter had run the private investment business of Texas billionaire Robert Bass. This decade, transactions have ranged from leading the \$9bn reorganisation of Continental Airlines in 1993 to the flotation at the end of last year of Berling Wine Estates, a buy-out of Nestlé's Californian wine interests.

The firm has regarded itself as a global organisation since inception, and runs affiliated funds - under the name Newbridge - in Asia and Latin America.

Leads for a deal on one continent can arise in another hemisphere - as when an opportunity in Latin America led indirectly to an introduction to Ducati Motor, the Italian sports and racing motorcycle company of which Texas Pacific took control in 1996.

The plan is now to spend \$400m-\$500m of the current \$2.5bn fund in Europe, an investment level the group says warrants establishing a London office.

Mr Coulter sees one of the principal attractions of the continent in a single macro-economic statistic - the proportion of leveraged buy-outs to the overall economy. In the mature US market, the ratio to GDP in 1996 was 0.36 per cent, in France just 0.05 per cent.

Another factor in the timing of the move is the development of indigenous high yield bonds in Europe. "That had been the missing piece of the jigsaw," says Mr Coulter. "Now that has been filled in, it will greatly assist the market and lower the cost of capital."

Two partners, Abel Hal-

pern and Jeremy Peria, have moved from San Francisco, and will look at Italy and France in particular. Stephen Peel, a Goldman Sachs corporate financier, has joined to concentrate on Germany, a country where the firm will proceed with caution because of the recent influx of new players.

Mr Halpern says he and his colleagues are not in Europe to chase the auctioned deals which deliver returns of "just" 20-40 per cent. "Our hurdle rate for leaving our home market is much higher," he says.

"But we see the mass of medium-sized European private companies that need capital as absolute jewels. They are often global niche players, in very high value added businesses and are often very low cost operators."

Ducati Motor bore all the hallmarks of a typical Texas Pacific deal. It was teetering on the edge of bankruptcy and the deal took more than a year to negotiate. Mr Halpern observes: "We are not dissuaded by complexity. Others would have walked

away." Mr Coulter adds that it is not "hot stock markets" that are the real drivers of returns. "We create the dramatic value by growing the productive capacity and quality of a business."

When Mr Halpern was introduced to Ducati, private equity was not even being proposed, he says. "The sellers wanted some sort of bridging loan." Ducati had been part of the Cagiva Group, a conglomerate owned by the Castiglioni family. It had itself once generated plenty of cash, but that had been siphoned into other parts of the group. "The day we closed the deal, production had essentially stopped. Some suppliers had not been paid in a year," says Mr Halpern.

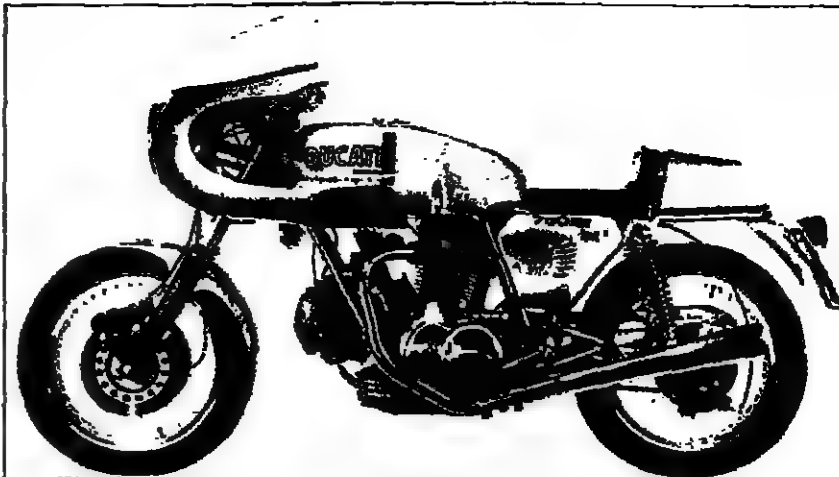
Texas Pacific acquired 41 per cent in September 1996. Morgan Grenfell Italy, whose partner Dante Razzano had acted as an adviser and who now sits on the Ducati board, took 10 per cent. Some \$50m of the \$300m transaction went straight to suppliers. Claudio Castiglioni has remained as chairman -

showing "our very pragmatic approach" as Mr Halpern puts it - and Massimo Bordini remains general manager. But Mr Bonderman is vice-chairman, and a new chief executive, Federico Minoli, was brought in.

A former partner at Bain, the management consultants, Mr Minoli had taken periodic "sabbaticals" from consultancy to run turn-around companies in the US - though on this occasion it is no sabbatical, as he has now resigned from Bain.

Mr Halpern had met Mr Minoli on a previous, abortive, Italian deal, and had initially asked him to help look at Ducati on a consultancy basis. With a consumer products marketing background, Mr Minoli had been acquired by Procter & Gamble earlier, he is, according to Mr Halpern, "a global manager who happens to be Italian."

Its technological brilliance notwithstanding, the Ducati business had been very far from a global enterprise. The new investors found that "sales" had consisted of an individual sitting next to a telephone and taking



One of the first of Ducati's classic V-twins, the 750cc Supersport

orders. Now a sales and marketing organisation has been built from scratch. Subsidiaries have been set up in France, Germany and Japan; a catalogue of after-market accessories, has been acquired; a line of sports clothing, Ducati Gear, has been launched and an agreement signed with Dainese, a leading brand of safety wear. The company has even taken on a "world-wide image director".

At the same time, the new team has invested around \$25m in the first year in upgrading research and

development and manufacturing facilities. Computer-aided design has replaced pencils, antiquated machines have been replaced with state-of-the-art robotics. The new Supersport 900 was launched in April, within the "revolutionary time to market" of 15 months, says Mr Halpern.

Production in 1997 climbed to 27,000 bikes, up from 12,500 the previous year, with sales reaching 1.38bn, after 1.20bn. It claims to have the highest margins in the motorcycle business - with a gross

operating margin of 17.7 per cent. Forecast production this year is around 31,000 bikes.

As some 10,000 "Ducatiisti" descend on Bologna for the first World Ducati Weekend next month, the feel of the business is rather different. A successful flotation - for which the group declines to give a timetable - would help cement the US private equity provider's reputation on the continent.

Katharine Campbell

ITALY • by Paul Betts

Market is maturing

The future for management buy-outs in Italy is looking promising

It was perhaps the hot out-of-season sunshine and the creature comforts of one of those great gin palaces of the Venice Lido that had brought together a large number of international private equity investors to a conference organised by AIFI, the Italian association of risk capital managers. But judging from the large attendance in the dark air-conditioned conference hall, interest in Italian private equity and especially in the management buy-out sector has clearly grown again in the last 12 months.

Italy's entry into European monetary union, the government's achievements in reducing inflation and putting its financial house in order, a recently privatised stock exchange enjoying a remarkable bull run as domestic savers continue to switch from low yielding government bonds into equities, and a general pick-up in economic growth have all helped to turn Italy into one of Europe's most promising private equity markets.

"Buy Italy" appeared to be the consensus at the Venice conference. AIFI's latest figures also confirmed Italy's growing appeal as a private equity and MBO market with new investments last year topping for the first time £1,000bn (\$574m). A total of 234 transactions were made, 18 per cent more than in 1996, with individual investments averaging £5bn each. For the first time, the majority of these investments involved buy-outs, followed by replacement capital, expansion financing and, last, by seed and start-up investments.

But the AIFI figures only tell part of the story. They included mainly smaller-scale investments involving companies with fewer than 200 employees and even smaller businesses employing only up to 20 people. They omitted what was the biggest buy-out in continental Europe involving the privatisation through a highly leveraged operation of Seat, the Italian Yellow Pages telephone directory group formerly controlled by Telecom Italia and sold off separately last year before Telecom Italia's own blockbuster flotation.

After a long and controversial procedure, Seat was finally sold to a consortium led by Banca Commerciale Italiana and several other private equity investors in partnership with the Italian De Agostini publishing group for more than £3,000bn.

Although not on the same scale of grandeur, the Italian MBO market saw another significant operation last year with the £438bn buy-out of the Carriere Holding paper subsidiary of Germany's Bertelsmann publishing group.

These two jumbo buy-outs, however, distort the overall picture. For the next biggest deal last year involved a £77bn buy-out followed by a string of other "middle and smaller" market transactions reflecting the overall market's continuing adolescence.

Since the early 1990s, international private equity investors have predicted a boom in Italian buy-out activity which has yet to materialise.

However, the situation has started to improve, not only as a result of the stimulus provided by the jumbo Seat buy-out. Confirming this trend and showing the growing interest of international operators, including some of the market's heaviest hitters, is the fact that more than half the funds raised last year for Italian private equity came from the international market. According to AIFI, the source of this new capital totalling more than £2,000bn came from the banking sector (47 per cent), pension funds, foreign and private investors. "Italy has finally entered into the largest international circuits," said AIFI.

Interestingly and somewhat surprisingly, a study by KPMG, the international accounting group, also showed that the pre-tax return on such investments in Italy in the 10-year period from 1986 to 1996 far exceeded the return on other forms of investments. The annual average rates of return for venture capital, buy-outs and private equity investments during this period amounted to 31.2 per cent compared with 12.5 per cent gross annual returns for short-term Treasury bills and 4.9 per cent for the Milan stock index - this against an average annual inflation rate of 5.5 per cent.

The sharp recovery of the Italian stock market in the past 12 months - the market rose more than 50 per cent last year and has pursued its strong momentum so far this year in spite of a recent correction - has now clearly boosted the average return of stock market investment. However, the overall performance of private equity in Italy remains impressive.

Institutional investment managers consider the Italian market has good future potential because of the impact of the ongoing restructuring of Italian industry and finance, the government's privatisation programme, and the refocusing of large industrial groups on their core businesses. All these factors contributed towards a number of deals involving former subsidiaries of the Olivetti telecommunications and information technology group as well as the £60m sale of Sigal Arzonia, the car care products subsidiary of component maker Magneti Marelli, itself owned by the Fiat automotive conglomerate.

The Italian buy-out market, after the stops and starts of the past decade, appears to be coming of age.



THESE SECURITIES HAVING BEEN PREVIOUSLY SOLD, THIS ANNOUNCEMENT APPEARS AS A MATTER OF RECORD ONLY. CERTAIN OF THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 AND MAY NOT BE OFFERED OR SOLD IN THE UNITED STATES OR TO U.S. PERSONS WITHOUT REGISTRATION OR AN APPLICABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S.

APRIL 1998

DEM 190,000,000
ACQUISITION FINANCING

INEOS

DEM 190,000,000
6 1/2% SENIOR SECURED NOTES DUE 2005

LEAD ARRANGER
BT Alex. Brown
International

DECEMBER 1997

FFR 2,800,000,000
ACQUISITION FINANCING

SOMAREP

FFR 2,800,000,000
SENIOR SECURED CREDIT FACILITIES

JOINT UNDERWRITER
BT Alex. Brown
International

JUNE 1997

U.S. \$180,000,000
REFINANCING

Rapala

U.S. \$140,000,000
SENIOR DEBT FACILITIES

U.S. \$40,000,000
PIK PREPARED EQUITY

LEAD ARRANGER
BT Alex. Brown
International

DECEMBER 1997

£630,000,000
REFINANCING

GENERAL HEALTHCARE
GROUP

£630,000,000
SENIOR DEBT FACILITIES

LEAD ARRANGER
BT Alex. Brown
International

NOVEMBER 1997

£47,000,000
ACQUISITION FINANCING

Kruger
TISSOT GROUP

£47,000,000
SENIOR DEBT FACILITIES

LEAD ARRANGER
BT Alex. Brown
International

MARCH 1997

£395,000,000
ACQUISITION FINANCING

Waldorf Astoria

£355,000,000
SENIOR DEBT FACILITIES

£40,000,000
MEZZANINE FACILITIES

LEAD ARRANGER
BT Alex. Brown
International

DECEMBER 1997

£563,700,000
ACQUISITION

Public
Houses

ACQUISITION OF AN ESTATE OF
1,428 PUBLIC HOUSES FROM BASS PLC

LEAD ARRANGER
BT Capital Partners Europe

JULY 1997

£450,000,000
ACQUISITION FINANCING

Générale de Santé

£355,000,000
SENIOR DEBT FACILITIES

£55,000,000
MEZZANINE FACILITIES

LEAD ARRANGER
BT Alex. Brown
International

FEBRUARY 1997

£74,000,000
ACQUISITION FINANCING

County
Hotels

£57,000,000
SENIOR DEBT

£17,000,000
MEZZANINE FACILITIES

LEAD ARRANGER
BT Alex. Brown
International

Unsurpassed Success in Leveraged Buy Outs across Europe

BT Alex. Brown has a track record second to none in Acquisition Finance, MBOs and Private Equity. These deals demonstrate our geographic reach and structuring expertise. As a result of our success BT Alex. Brown was awarded *Buyout House of the Year - 1997* and *Debt Provider of the Year - 1997*.

Bankers Trust
Architects of Value

10 PRIVATE EQUITY - THE BUY-OUT MARKET

GERMANY • by Graham Bowley

Sleeping giant is waking up

Germany is in the middle of an unprecedented wave of corporate restructuring

Long regarded as the sleeping giant of Europe, Germany's management buy-out market is waking from its slumber. It may lag behind the UK in terms of sophistication and size, but it is growing fast.

New deals are now hotly contested among the growing band of venture capitalists that have moved into the German market and the

prices for transactions are rising.

"There is a lot of capital pushing on to the German market. The market is getting a lot more professional. Whereas Germany used to be seen or eight years behind the UK, it is now four or five years behind," says Tony Bunker, investment director at NatWest Equity Partners in Düsseldorf.

There are four chief reasons for the expansion of the German market:

- Restructuring of large companies;
- Change among small and medium-sized businesses;
- An increasing availability

of private equity; and, perhaps most important

■ A buoyant German stock market.

First, Germany is in the middle of an unprecedented wave of corporate restructuring among its largest businesses.

Companies such as Daimler-Benz, Siemens and Hoechst have become wedded to the concept of shareholder value. International investment banks, which are building their own presence in Germany, are playing a key role by urging their corporate clients to restructure.

An important consequence of this is that companies have begun to sell off non-core businesses, which are proving fodder for the burgeoning venture capitalist industry.

"Big companies are focusing on what they do best. Nothing is sacred any more," said Christoph Neizert at Advent International in Frankfurt.

One example is the sale last year by Siemens of its dental unit, Sirona - several venture capital firms fought for this business before it was snapped up by Schroder Ventures.

A second reason arises from change in Germany's smaller, Mittelstand companies. New commercial pressures as well as a generational change among family owners are forcing many Mittelstand companies to sell or to look for outside partners with fresh equity.

One good example is Wenden, a nation-wide bakery, in which Apex Partners infused fresh capital and helped restructure giving it a new lease of life.

However, experience in this area differs among venture capital firms: some claim that the so-called "succession problem" is indeed spurring a raft of new deals, while others maintain that there is still a strong suspicion of venture capital among smaller and older German managers.

"Managers of mid-sized German companies are risk averse and are reluctant to think about venture capital," said one venture capitalist.

According to Initiative Europe, there were 84 German buy-outs last year, compared with 52 in 1996. The buy-outs had a total value of £2.3bn, compared with £1.1bn the year before, and an average deal size of



Wenden, a nation-wide bakery, was given a new lease of life

£27.6m, against an average of £18.5m in 1996. Around 38 per cent of the deals were buy-outs from large parent companies; a further third of the deals were companies bought from family or private owners. More than half the deals were less than £5m in size; a quarter were more than £25m.

The third reason for the growth of the German MBO market is that the US and UK markets are maturing and becoming crowded and so venture capital firms are looking for fresh markets.

"Private equity markets in the UK and US are overheating. So lots of money is coming here," said Mr Neizert.

The potential that German offers has attracted several important operators. Doughty Hanson has prob-

ably the strongest claim to be the market leader. But CVC Capital Partners has a strong presence, along with Schroder Ventures, BC Partners, Apex Partners, NatWest Private Equity, 3i and HSBC Private Equity.

"All the players that are strong in the UK are represented here," said Mr Neizert.

In contrast, German banks have struggled to get their own venture capital divisions off the ground.

As more operators are attracted, competition has become more intense. Venture capital firms complain that as the market becomes more professional, auctions - conducted by investment banks - are increasingly tough to win and prices are soaring.

NatWest observes that many German companies are offered for sale by investment banks to the venture capital firms' offices in London, so that often the MBO is conducted via London rather than directly in Germany.

According to Apex Partners, at least six large buy-out funds which focus mainly on Germany have been raised in the past 12 months, and the number is now growing.

But, according to Andrew Richards, managing director of 3i Germany, the most important reason for the growth of the German MBO market is the buoyancy of the country's stock market.

The healthy stock exchange, including the Nasdaq, the new market segment for young, high-tech companies, is providing a viable exit route via flotations for many investors, which is a big encouragement for them to enter Germany.

Successful and highly-publicised initial public offerings, such as that of Mobilcom, the telephone network provider which was the first to list on the Nasdaq, are providing exciting and credible role models for other entrepreneurs.

"The buy-out funds are more interested in Germany because they can now see an exit route. Three or four years ago they could get in but the question was how could they get out?" said Mr Richards.

"There is a demand for stock in mid-sized companies at the moment from investors. The market in Germany is really being driven by the improved exit opportunities. That will last as long as we have a solid stock market," he said.

3i has set up a number of new offices around Germany, and is now in Düsseldorf, Hamburg and Stuttgart, as well as in Frankfurt.

While most attention in the German market has been on large MBO transactions of between DM100m to DM200m and above, 3i has taken a different route, focusing on the smaller MBO deals.

"There are too many firms chasing too few deals in the larger transaction sector. But there is a continuing supply of smaller companies for sale," said Mr Richards.

CASE STUDY Sirona

Toothsome purchase

The state of the growing management buy-out market in Germany was epitomised by the deal in which Schroder Ventures secured the takeover of the world-wide dental equipment business of Siemens, one of the country's biggest industrial groups.

The company, Sirona, was a spin-off from a conglomerate which was restructuring in order to focus on its core businesses. Last October's deal was bigger than most preceding transactions, a sign of the growing maturity of the German market, and the investors bought the company intending eventually to float it on the stock market.

The latter is a trend that suggests the buoyancy of German shares is an important reason behind the flourishing MBO market because of the promising exit opportunities it provides.

Also, the deal was struck after a fiercely contested auction arranged by JP Morgan - another pattern which is emerging in Germany as new international operators come into the market to compete for deals which are still rare.

The industry rumour mill suggests that the hot competition meant Schroder paid a high price for the business, but Schroder insists that it got value for money for its investors.

"We were very interested because Sirona is a market leader with a proven track record in the export market, the brand name was known for quality and we saw in Sirona an upside potential for growth and profits," says Thomas Jetter, partner at Schroder Ventures in Frankfurt.

"It was a well structured auction. This is what has to be done now to ensure that the interests of the seller are served. We paid a fair and good price for our investment. I would say both the investor and the seller were happy," he says.

The group of investors advised by Schroder Ventures bought a company which is a leader in the European market with annual sales of DM900m and around two thirds of its turnover outside Germany.

It has 2,700 employees worldwide including 350 at a US affiliate in North Carolina, and manufacturing sites in Germany.

The company has three



Siemens' dental unit Sirona was snapped up by Schroder Ventures

main businesses: the manufacture of dental equipment; the distribution of dental consumer goods; and the provision of other related services.

Schroder says it became aware of the deal in July last year; the transaction was signed in late October; and the deal was closed in early December.

At the time it was Schroder's biggest deal in Germany, and it followed the setting up last year of its first \$1bn "eurofund" which is targeted at European investments.

"The new fund meant two major changes to our strategy. We could act much more as a European-wide organisation. Whereas we had country funds which were smaller, now we were able to invest in larger transactions," says Mr Jetter.

Since the creation of Schroder's fund, several other big rival funds dedicated to continental Europe have been set up, a sign of the increasing flows of capital into the European MBO market.

The investment group installed a new chief executive, Franz Scherer, who had experience running the French and German operations of Rank Xerox. It also brought in two new board members responsible for sales and marketing and for finance.

"We as financial investors wanted to add value with a strong leadership. Where you have a major challenge and a new culture, you require a very strong and new leadership," says Mr Jetter.

The company's existing

managers below the new management team were retained.

The group bought 100 per cent of the company, but it is introducing a management participation scheme which will allow executives to take a stake in the company, something which Schroders does in all of its German transactions.

"We want to have clearly defined interests," says Mr Jetter.

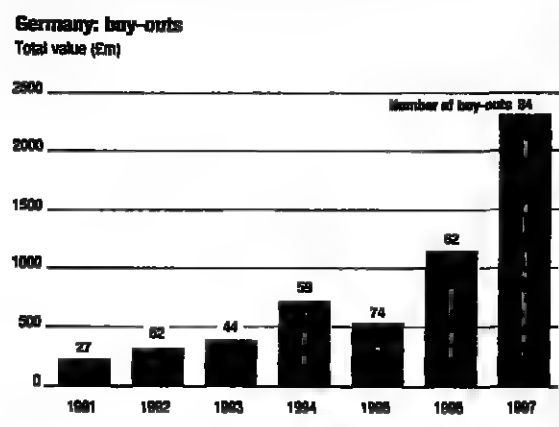
The investor group is sticking to its aim of bringing the company to the stock market in a couple of years.

"The goal is very clear that we want to strengthen and improve the company and then bring it to the stock exchange," says Mr Jetter.

After Sirona, Schroder Ventures made further acquisitions of similar size including Vögele, a large clothing retailer with headquarters in Zurich, and Leica Microsystems, a microscope manufacturer. The array of businesses in which it has become involved is a trend that will persist in Germany and the German-speaking markets for some time, Schroder insists.

"The market today in Germany is not so mature that anyone is able to say I am just investing or specialising in certain industries. We are still an opportunistic player, but there are certain common features which we want to see in all our deals: market strength, restructuring and improvement potential, and companies which are international and have growth potential," says Mr Jetter.

Graham Bowley



Leading equity arrangers
On Continental European buy-outs in 1997

Equity arranger	Number of deals	Value (£m)
Doughty Hanson & Co	5	399
Lazard & General Ventures	3	182
CVC Capital Partners	4	180
Schroder Ventures/Partners	7	179
Apex	2	161
Advent International	4	149
Investment Capital	4	132
Partners Atlantic Industries	3	114
Silke Investment Funds	2	68
Deutsche Investitions	4	76
Alpha Associates	4	72
HSBC Private Equity Service	3	64
3i	2	60
PSA Ventures	2	55
ABN Amro Investments	19	50

Source: Acquisitions Monthly

Leading debt arrangers
On Continental European buy-outs in 1997

Debt provider	Number of deals	Value (£m)
Deutsche Morgan Grenfell	6	1,353
United Bank of Switzerland	7	1,082
Barclays Trust	4	873
Paribas	2	780
Investment Capital	4	584
Credit Suisse First Bank	4	376
ABN Amro Bank	3	358
Commerzbank Acquisition Finance	6	320
Paribas Acquisition Finance	4	302
Stanley Goldstein	13	288

Source: Acquisitions Monthly

Committed to deliver

Recent transactions arranged by The Royal Bank of Scotland, Acquisition Finance

<p>PSL GROUP</p> <p>MBO of Prospective Services Limited £4,500,000</p> <p>Senior Debt & Mezzanine Facilities arranged and underwritten by The Royal Bank of Scotland plc Acquisition Finance and RBS M&A Services Ltd</p> <p>March 1998</p>	<p>Emmer</p> <p>MBO of the Power Transmission Division of Emmer PLC £64,000,000</p> <p>Senior Debt & Mezzanine Facilities arranged and underwritten by The Royal Bank of Scotland plc Acquisition Finance and RBS M&A Services Ltd</p> <p>April 1998</p>	<p>BIOGLAN</p> <p>£26,250,000</p> <p>Senior Debt Facilities arranged and underwritten by The Royal Bank of Scotland plc Acquisition Finance</p> <p>April 1998</p>
<p>HYMATIC</p> <p>MBO of Hymatic Engineering Limited £1,000,000</p> <p>Senior Debt Facilities provided by The Royal Bank of Scotland plc Acquisition Finance</p> <p>March 1998</p>	<p>axis RESOURCES</p> <p>MBO of Axis Resources Limited £18,000,000</p> <p>Senior Debt Facilities provided by The Royal Bank of Scotland plc Acquisition Finance</p> <p>April 1998</p>	<p>City</p> <p>BIMBO of Macclesfield City</p> <p>Senior Debt Facilities provided by The Royal Bank of Scotland plc Acquisition Finance</p> <p>November 1997</p>
<p>Public to Private MBO of Healthcare Group plc £65,400,000</p> <p>Senior Debt & Mezzanine Facilities arranged and underwritten by The Royal Bank of Scotland plc Acquisition Finance and RBS M&A Services Ltd</p> <p>March 1998</p>	<p>THE MAILFORCE GROUP</p> <p>MBO of The Mailforce Group and ERM Marketing Support Services Ltd £14,500,000</p> <p>Senior Debt & Mezzanine Facilities arranged and underwritten by The Royal Bank of Scotland plc Acquisition Finance and RBS M&A Services Ltd</p> <p>January 1998</p>	<p>RIBBONS</p> <p>MBO of Ribbons plc £9,100,000</p> <p>Senior Debt Facilities arranged and underwritten by The Royal Bank of Scotland plc Acquisition Finance</p> <p>March 1998</p>

For further information, please contact Ian Hazelton on 0171 427 8306

Registered in Scotland Number 90312
Registered Office: 34 St Andrew Square Edinburgh EH2 2TB
Regulated by IMRO, SFA and Personal Investment Authority

The Royal Bank of Scotland

The Acceptable Faces of Venture Capital



At ECI we still believe that people do business with people. Utilising our experienced, national team, we work hard at understanding businesses and helping them to grow. We know that there is more to adding value than just providing funding.

ECI has the resources to support management teams requiring up to £25 million for buy-outs, buy-ins or business development.

- the supportive investor

eci VENTURES

Telephone London office 0171-606 1000
Telephone Birmingham office 0121-609 4680
Telephone Manchester office 0161-831 3200

ECI Ventures Limited is regulated by IMRO

مكتبة الامير

SCANDINAVIA • by Tim Burt

Outsiders muscle in

Nordic funds are determined to maintain their grip on the home market

Jan Stahlberg enjoys making money. A partner at Scandinavian Equity Partners, he and his colleagues in the Nordic buy-out industry have reaped the benefits of a steady stream of large deals in the past year.

Assessing the market outlook for Sweden, Denmark, Norway, Mr Stahlberg says: "The number of buy-out opportunities is definitely increasing. The concept has been a great success here because there have been no failures so far."

His optimism rests on the past record of private equity houses in the Nordic region, one of Europe's more mature buy-out markets. Many of them have made returns of more than 100 per cent a year on funds invested in the early 1990s.

That has persuaded some of the largest - including Scandinavian Equity Partners (SEP), Industri Kapital and Nordic Capital - to raise large new funds recently.

SEP, for example, is setting up a SEK5bn second fund, almost doubling its maiden SEK2.9bn investment pool. Last year Industri Kapital set up a new Euro2bn vehicle, and Nordic Capital is considering creating a new fund worth around SEK2bn.

Such moves reflect the determination of Nordic funds to maintain their grip on their home market in the face of a growing challenge by outside rivals such as CVC and Cinven of the UK. And in the case of Industri Kapital, it underpins its expansionist ambitions outside Scandinavia.

Perhaps more important, it shows that institutional investors believe that financial restructuring in the region - whether in engineering, IT or support services - will continue to throw up lucrative buy-out opportunities.

Last year, that trend contributed to buy-outs worth \$600m in Sweden - up from \$500m in 1996. The value of Finnish buy-outs rose from \$320m to \$480m. Norway and Denmark, although some

way behind in terms of volume and value, recorded a respectable £105m (£100m) and \$240m (\$237m).

The figures, compiled by Initiative Europe, the UK private-equity analysts, show that sell-offs by large industrial groups and private deals remained the most common type of transaction, particularly in Sweden and Finland.

But the rising value of last year's deals could be misleading. The rich pickings offered by the restructuring of Nordic conglomerates will not last forever.

In volume terms, the number of financial buy-outs has been flat or falling. In Sweden, the number of deals rose modestly from 16 to 17 last year, fewer than half the 1992 total. Norway and Denmark were equally sluggish, recording five and 14 deals respectively.

Only Finland, where the number of buy-outs rose from 34 to 32, showed signs of bucking the trend.

Given that overseas rivals are now looking to increase their market share in the Nordic region, the prices demanded by industrial vendors could increase at the same time as margins among the buy-out houses are being squeezed.

"Most businesses are now sold via an auction and prices have continued to move up, to such an extent that they are not much different from those in the UK buy-out market," says Simon Wakefield, an analyst at Scandinavian Enskilda Banken. "This more demanding market is causing acquirers to search harder for opportunities which enable them to add strategic value to a business rather than rely on price arbitrage."

In the Nordic region, the traditionally dominant local institutions are facing intensifying competition from the likes of Charterhouse, Doughty Hanson and NatWest Equity Partners.

In selling their services, these UK funds are telling Nordic customers that they are better placed than local operators to produce innovative funding solutions for complex transactions.

That has helped NatWest Equity Partners, for example, to win three Scandinavian mandates in recent years - most recently the

FM220m buy-out of Hurre Group, the Finnish commercial refrigeration company.

"The Nordic region including Finland is relatively open to overseas buyers and we have a good franchise to exploit," says Andrew Fullerton, NatWest's investment director responsible for the Nordic region. And looking ahead, Mr Fullerton is targeting the information technology sector and high-technology electronics as areas ripe for buy-out activity.

But the pursuit of such business opportunities is not just a head-to-head battle between local and overseas financial buyers.

The rivalry has been further exacerbated by the growing number of trade buyers looking to increase their presence in Scandinavia. Last year, for example, trade buyers in the form of Alvis and TI Group, two UK engineering companies, trumped financial bidders to win control respectively of Hägglunds, the Swedish armoured vehicles manufacturer, and Forsbada, the Swedish polymers group.

That competition for buy-out candidates has persuaded some of the largest institutions to broaden their horizons.

Bjorn Saven, chief executive of Industri Kapital, has outgrown Scandinavia and now competes directly with the likes of CVC and Cinven in Germany and the Benelux countries, while also considering expansion opportunities in the UK and France.

"The medium-sized buy-out funds have a national and regional focus, but we are now continental in our approach," says Mr Saven, who oversees a group with around Ecu1bn under management.

He is content to leave the smaller end of the market to local buyers, searching instead for larger morsels, such as Husqvarna Sewing Machines. Industri Kapital led the buy-out of the former Electrolux subsidiary for SEK900m last year, and also oversaw the SEK1.2bn buy-out of ElektroKopper, the copper and aluminium wire group.

The company was also involved in the FM1bn buy-out of Partek, the Finnish concrete products group, and the DKR500m acquisition of Thorn Retail, the Danish consumer electronics chain.

Simon Wakefield at SE-Banken says the confidence of the buy-out community has been underpinned by a number of successful exits, albeit mostly through trade sales rather than initial public offerings. "The fact that many of the deals completed early in the decade were bought at heavily discounted prices from distressed vendors has meant that deals exited more recently - arguably towards the top of the economic cycle - have provided investors with very high returns," he says.

The outlook for local buy-out partnerships looks relatively rosy, given that several large Nordic companies - among them Kvaerner of Norway and Incentive of Sweden - still have small non-core businesses to sell. But the flow of deals from such restructuring will inevitably dry up or slow down considerably in the next two to three years.

Financial institutions, faced with fewer obvious buy-out candidates, will then begin to feel real pain from the presence of overseas competitors and a narrow market focus.

Many of them will face a stark choice. Either they should follow the route of Industri Kapital and expand aggressively overseas - a move entailing considerable fund-raising challenges - or they will have to retrench, involving increased industry specialisation and ever more novel funding solutions.

Whichever route they take, the Nordic region could become a "buy-out battleground" as institutions fight for a share of a shrinking market.

CASE STUDY Industri Kapital

Europe-wide ambitions

Industri Kapital, the UK-Swedish private equity operator, has been serving notice that it intends to build up its presence outside the Nordic markets, where it has traditionally done all its business.

Late last year, it bought i-center, the wholesale electrical goods business of German industrial giant Siemens. In February it took a controlling stake in Intrum Justitia, taking Europe's largest debt collector private after eight years as a listed company in a E150m deal. It has been one of the leaders in the Nordic countries, benefiting from a series of spin-offs as conglomerates sharpened their focus on their activities.

Mads Rym Larsen, one of the private equity manager's directors, says that while home markets will continue to be very important expansion abroad in continental Europe, is a "key strategic direction".

The company is aiming primarily at Germany and the Benelux countries. Industri Kapital started independent life in 1993 when the Swedish banking crisis forced Skandinaviska Enskilda Banken Group to cut its London-based Scandinavian management buy-out fund adrift. Bjorn Saven, chairman and chief executive, says the bank simply could not play its part in the Ecu 260m second fund the company was then assembling to add to the Ecu 106m first fund.

With the consent of all the investors, Mr Saven and his fellow directors took control and set up Industri Kapital in May 1992. It is still substantially owned by Mr Saven and two fellow directors. Stockholm is not formally the headquarters of the company, but Mr Saven spends most of his time there.

Another strong area is industrial companies with a strong presence in small global niches.

Mr Saven says that, as a matter of principle, it does not publish returns, but required levels were set for the three funds, which have all been "exceeded by a wide margin for some time".

Mr Larsen says the company always works with the existing management team - it has never carried out a management buy-in - and tends to stay in for a longer investment period than other operators.

"We are more operationally focused," he says. "We like to hold the company to implement a business plan with the management, see the results of that and then exit." Mr Saven says investors seem content to take an extra year's profit out of a successful business.

Typically, says Mr Saven, a fund will look to make 10 to 15 investments, implying that the third fund's investments will average out at something over Ecu 40m. The three investments so far are between Ecu 40m and Ecu 46m, so some bigger buys are likely. The competitive pressures in the venture capital market have led Industri Kapital to look for a distinctive way of doing business.

Mr Saven says this has meant involvement in more difficult projects - companies where there is a real job of work to be done in preparing them for eventual flotation.

This has meant extensive restructuring, notably in the cases of two Swedish companies acquired in 1996 - Addum and Nobia.

Addum, a traditional conglomerate heavily exposed to the construction cycle, was bought in March of that year from Securum, the state-owned Swedish company set up to liquidate the failed loans of Nordbanken and other victims of the 1992 crisis.

Addum was formed to own Securum's industrial holdings.

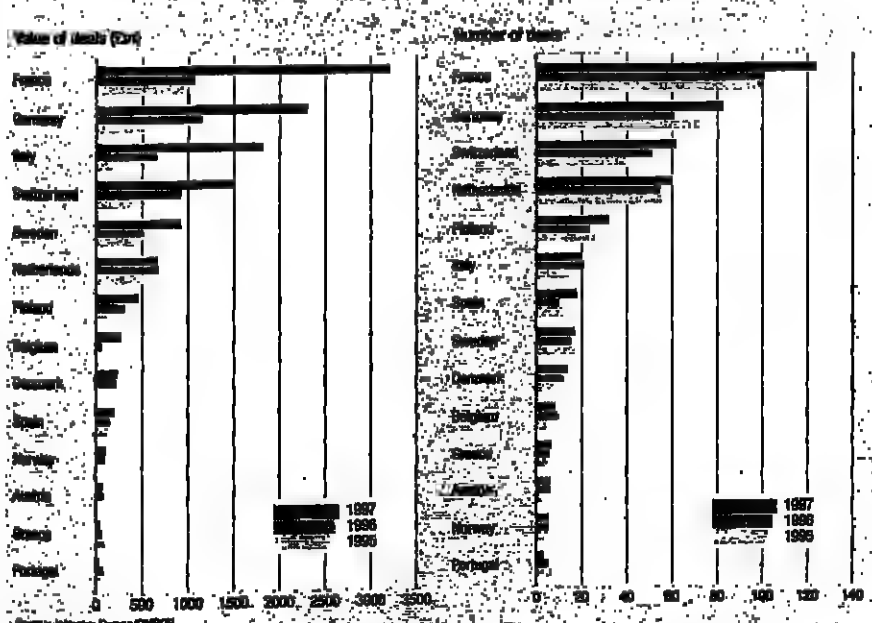
Industri Kapital carried out a large-scale financial restructuring on this diverse bundle of businesses which involved, among other things, a series of disposals and flotations.

Six months later, the company bought Nobia, a kitchens and doors supplier, from Stora, the Swedish forestry group. That company has undergone an operational restructuring and, says Mr Larsen, both it and Addum are well on track.

The company is still hiring, and in the next few months expects to have eight or nine professionals operating in Germany and the Benelux countries out of its London and Hamburg offices. The corporate restructuring that has become commonplace in the UK and US in the past few years is now happening in Scandinavia. The German market is also developing fast.

Tom Lynch

Continental Europe buy-outs



Venture Forum
Venture Forum Europe '98
Hotel Inter-Continental, London
2 - 4 December 1998

Arranged by FT
Conferences and Venture
Economics, the 9th annual
Venture Forum Europe will
provide industry leaders
with an important
opportunity to increase
their understanding of the
European venture capital
marketplace.

For details, visit www.ftconferences.com or call +44 (0)171 396 1626

GLOBAL REACH

IN-DEPTH CAPABILITIES

LOCAL INSIGHT

INDUSTRY EXPERTISE

NON-DOLLAR HIGH-YIELD DEBT

NTL Incorporated £125m, Senior Notes due 2008 / £175m, Senior Deferred Coupon Notes due 2008

When U.K. telecommunications provider NTL required long-term Sterling-denominated financing to continue their network build-out, we structured the largest ever European currency high-yield financing which, when combined with the US\$802 million Senior Deferred Coupon



tranche, was also the largest ever high-yield financing for a European company (US\$1.3 billion equivalent). The transaction was designed to maximise the size of the deferred coupon tranches, providing NTL with the greatest possible medium-term liquidity.

Central European Media Enterprises Ltd. DM140m, Senior Notes due 2004

To fund CME's broadcast operations in Eastern Europe, we executed a high-yield offering in six weeks, with a DM140 million tranche that both hedged currency risk and attracted local European investors.



Colt Telecom PLC

£50m, Senior Notes due 2007 / DM150m, Senior Notes due 2007

Colt Telecom tapped our expertise to finance the expansion of its local exchange network in Western Europe. We structured a dual tranche high-yield offering in both GB£ and DM to match their current and future cash flow and asset profile. Marketed concurrently with a £113 million equity offering, this financing provided Colt with low-cost, long-term flexible capital in an efficient, co-ordinated exercise.



Exide Holding Europe S.A. DM175m, Senior Unsecured Notes due 2004

When Exide, Europe's largest manufacturer of automotive and industrial batteries, needed to refinance debt and to acquire battery manufacturer DETA, our DM175 million high-yield offering - executed in eight weeks - simplified reporting requirements and currency risk management.



Financière Neopost S.A. FFR500m, Senior Subordinated FRN due 2007

When BC Partners required a flexible, low-cost financing structure for its acquisition of Neopost, we created an innovative one-stop FFR3.2 billion package centered around an FFR500 million high-yield Floating Rate Note that provided an unprecedented level of redemption flexibility.



MORGAN STANLEY DEAN WITTER

Amsterdam Bangkok Beijing Frankfurt Geneva Hong Kong Johannesburg London Luxembourg Madrid Melbourne Milan
Monaco Moscow Mumbai New York Osaka Paris Seoul Shanghai Singapore Sydney Taipei Tokyo Toronto Zurich

12 PRIVATE EQUITY - THE BUY-OUT MARKET

PSYCHOLOGICAL STUDY • by Katharine Campbell

Bosses are better balanced

Buy-out managers are not necessarily a breed apart, a study found

You too could pull off a management buy-out or buy-in. That appears to be the primary message from the first piece of research to emerge from 3i Venturelab, an entrepreneurship study centre set up by 3i, the European private equity provider, and Inseed, the French business school.

Contrary to popular perception, buy-out managers are not necessarily a breed apart, the study found. Their personalities are remarkably similar to those of senior executives in large European companies. Both sets are ambitious, strongly motivated high achievers.

The survey drew on responses from 112 corporate executives and 63 managing directors of buy-outs and buy-ins in the UK and continental Europe. They do not even work harder, in a surprising finding, the study says corporate executives spend an average of 46.8 hours a week in the office, with an additional 5.6 hours working at home. Buy-out bosses put in 45.7 hours in the office and 6.1 hours at home.

The latter also profess to be happier with the balance between their working and family or social lives. Adam Quarry, 3i's director of marketing, says: "We all had this picture of them working incessantly, of everything getting out of kilter, of stress building up. Yet it appears they have things more in balance."

Professor Daniel Muzyska, director of 3i Venturelab, is equally surprised by the result, although he cautions:

"What we can't tell is whether the people who did buy-outs had a better relationship with their family in the first place."

If the study is right, the fact that senior corporate executives and buy-out bosses are broadly similar beasts - with the latter not required to make painful personal sacrifices - is good news for European private equity houses.

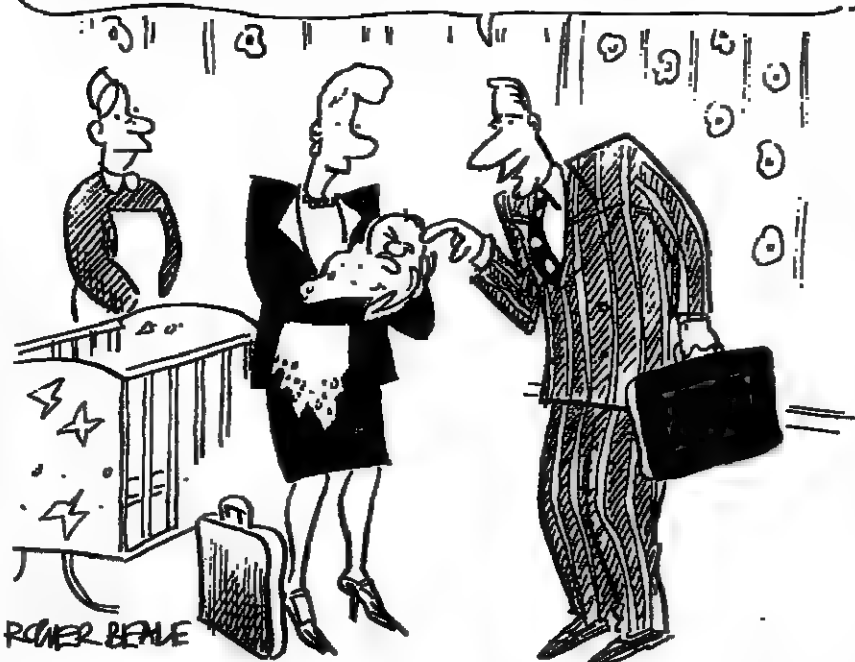
While there is an excess of capital chasing transactions, most operators, including 3i, regularly bemoan the lack of entrepreneurial management. This is particularly so on the Continent, but also true in the UK. Patrick Dunne, a 3i director who runs the in-house management buy-in programme, says: "We have actually been using up management buy-in candidates more quickly than we have been replacing them."

The picture that emerges of personality traits and motivation is complex. Corporate executives come across as having a slightly stronger need for achievement, and a higher self-declared desire for power and authority - which the study's authors suggest may be necessary to achieve objectives within a corporate structure. Power is apparently not very important for buy-out bosses.

The corporate animal also sees himself as being a shade more energetic and ambitious, with more of a need for social status and recognition. The buy-out manager, meanwhile, comes across as a risk-taker who is keen on autonomy and more willing to trust his instincts. The study has little to say on the importance of the potential monetary rewards of buy-outs.

Both sets of managers are

HE'S PERFECT DARLING - A CROSS BETWEEN A CORPORATE EXECUTIVE AND A BUY-OUT MANAGER



strikingly aggressive as regards ambitions for their companies - expecting to force a growth pace that is more than twice that for the average business in their sector.

Here, another well-worn stereotype - of the buy-out manager as cost-slasher - comes under attack. It turns out to be the corporate executive who is more in that mould - subscribing to a slightly curious tactic of "downsizing" and "re-engineering" his way to growth. Prof Muzyska says: "This suggests we have become slightly obsessive about downsizing. It raises a lot of questions as to what these people are trying to achieve, particularly as they see it having a serious negative impact on the functioning of their organisation."

Mr Quarry observes: "The buy-out people actually have a medium- to long-term growth agenda and are doing things consistent with growing a business. Corporate executives also say they are, but are doing things that appear to be a bit inconsistent with that goal."

3i already deliberately

favours buy-in candidates with a sales and marketing background over those from other disciplines, including finance, because it sees the former as business growers, Mr Dunne says.

As might be expected, buy-out bosses see their businesses as more effective, with a higher level of organisational flexibility and risk-taking. But leaving the corporate umbrella does have its disadvantages. They are, for instance, less happy about their relationships with suppliers and distributors - presumably partly because they have lost the bargaining power of a big organisation. It appears that these problems can, however, be surmounted, because they do not report significant differences in their ability to sustain growth or to gain access to markets.

Another message for private equity investors is that there is scope for further education among potential candidates. Corporate executives admit to not knowing much about buy-outs. "It is quite interesting that they own up to such ignorance,"

says Mr Quarry. "You are after all dealing with a successful, sophisticated group of businessmen."

Mr Dunne is well aware of the giant educational task. "As I travel round the Continent, it is staggering. People just do not know someone who has done a buy-out. More do they know - and this is particularly true in Germany - what it is possible to achieve with just a year's salary. The perception is you need to put up DM500,000 or more, but you don't."

Even in the UK, where managers know more about the sources of finance for buy-outs and buy-ins, they do not appear to be particularly familiar with the process itself.

As the marketing types busy themselves with spreading the word, they will be encouraging more corporate executives to take the plunge. No dramatic personal character transformation is required.

Managing directors and management buy-outs: a comparison with corporate executives. By Daniel Muzyska, Alice de Koning and Nathalie Guegan.

CASE STUDY Kappa Packaging

Double fire power

At £1.34bn (\$1.7bn), the buy-out under way for the packaging division of the Netherlands' KNP BT ranks as one of the biggest Europe has seen. But while the Dutch private equity market is among the more mature on the continent, it took two London-based venture capital houses to provide the backing.

CVC and Cinven are due in July to conclude a deal which will give them joint ownership of the unit, to be known as Kappa Packaging. In a vigorously contested auction launched in February, they found themselves up against potential trade buyers understood to have included David S. Smith of the UK and Finland's Miska-Serle.

Of their own competitors, Britain's Candover and the Bahrain-based Investcorp were also on the list. For the Dutch venture capital sector, the deal was either too big or went against a diversification strategy.

A purchase by a domestic financial partner would at least have doubled the total annual value of buy-outs in the country has averaged in recent years. According to research last year at Britain's Nottingham University, such deals represent about 0.3 per cent of Dutch gross national product, well ahead of France and Germany but trailing the 1 per cent being attained in the UK.

At the same time, suppliers of such funding within the Dutch market are keen to widen their spread across Europe. At home they aim to allocate more of their involvement - in much smaller lots - to relatively undeveloped segments such as

London with Candover. But some of Alpinvest's most lucrative recent deals have come in the UK, and it has set up its own London office to look for more.

In spite of their individual clout, the two eventual victors in the Kappa contest had felt the need to join forces, securing refinancing which was expected to spawn a big high yield bond issue. John Brown, deputy managing director at Cinven, says: "One of the reasons we have done this jointly with CVC is that it gives us significant fire power."

He would not specify a target turnaround time for the investment, saying only that a typical holding period for Cinven was three to five years. "But it does not have to be... We are not looking for a quick exit," Frits Beurskens, the KNP executive who will run Kappa, specifies exactly that time frame, though: "In three to five years we plan to ask for a listing."

Meanwhile, Mr Beurskens wants to expand in markets such as the UK, in which his new backers have pledged support. In a still fragmented but consolidating industry, says Mr Brown, "there are significant opportunities to grow and develop the business in the rest of Europe in the next few years. That is where the operations are at the moment, so it makes sense."

"CVC and Cinven have committed themselves to go in search of other opportunities to build the business," says Klaas de Kluis, KNP BT's interim chairman.

The deal enables him to repay £1.1bn to shareholders through a complex but - for Dutch shareholders anyway - fiscally efficient capital reduction scheme devised by Kempen & Co, the Amsterdam merchant bank. It also leaves free of debt the remaining operations in

paper merchandising and office products distribution. These will proceed under the name Bühmann.

Mr de Kluis invited 12 parties to make preliminary offers. Five remained by early April, whittled down to three offering roughly the same cash amount. "We were looking also at other factors such as the preference of our management - where they felt most at home."

Kappa, with sales last year of £1.28bn, ranks within the top three producers of corrugated board based in Europe. The sale price represents 13.5 times its 1997 operating profits, described by Mr de Kluis as "not before seen in the industry."

Advised by ING Barings, he conducted the auction with a deftness lacking under the previous management. Last year the group unbundled itself of its paper manufacturing side through a £1.15bn trade sale to Soppi of South Africa. But that involved taking a 20 per cent stake in Soppi, the value of which had rapidly to be written down. Shares in the Johannesburg group slid on worries that it had taken on too much debt.

Mr de Kluis, a former vice-chairman, assumed the reins late last year when his supervisory board purged a management which, following the Soppi embarrassment, had gone on to seek a quiet merger with the Hagemeyer trading house.

Easing the path to the packaging disposal, he won over the unions, which expressed their support for the buy-out. The 5,200 jobs there are to remain. And Mr de Kluis made clear from the outset that he had another option. If an outright buyer had not come forward at the right price, the packaging side would have been floated on the Amsterdam bourse.

Gordon Cramb

SWITZERLAND • by William Hall

A touch of caution as pace hots up

The increasing competition of London houses is putting pressure on margins

Switzerland remains one of the hottest markets for management buy-outs. Deals, which had been running at one a month at the start of the 1990s, were being done at the rate of more than one a week in 1997 and the pace has continued in early 1998.

According to the latest European Buyout Review, published by Initiative Europe/CMBOR, there were 58 MBOs in Switzerland in 1997 with an aggregate value of £1.5bn. This compares with 52 deals valued at £922m in 1996. Only Germany and France ranked ahead of Switzerland in terms of number of continental European MBOs.

In Germany, whose economy is more than 10 times bigger than Switzerland's, there were only 84 MBOs with a value of £2.25bn. Switzerland ranked well ahead of countries such as Sweden and the Netherlands which have well developed corporate sectors.

Admittedly, the Swiss figures are inflated by a handful of big deals. In 1996, the SF790m buy-out from Ciba-Geigy of Mettler Toledo, a weighing instrument company, accounted for around half the total value. The highlight of 1997's deals was Doughty Hanson's SF1.8bn buy-out of Geberit, one of Europe's biggest sanitary ware companies. It was followed near the end of the year by the SF885m buy-out of Charles Vogele, a fashion retailer, which was led by Schroder Ventures, one of a number of UK-based houses which are providing fierce competition for Swiss-based financial advisers.

The Geberit buy-out is a classic example of the aggressive approach of UK institutions in Switzerland. Geberit was a well-run company with a record of inno-

vation stretching back more than 125 years. It was strongly capitalised and seemed one of the least likely candidates for a MBO. But it was a family-run company whose owners had a succession problem.

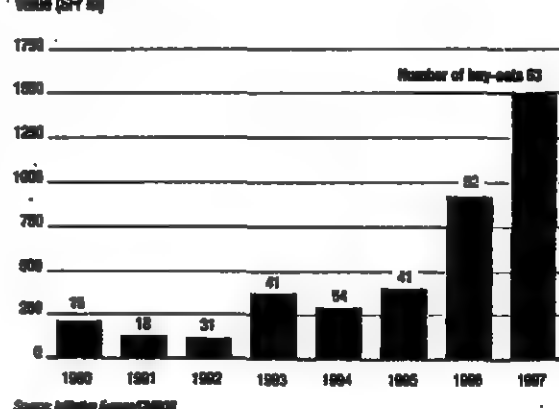
In many respects it would have made an ideal candidate for a flotation. It had a good track record and professional managers. However, its owners decided to sell it to Doughty Hanson, a UK private equity firm, which had made a substantial profit on a previous highly-leveraged buy-out of Tag Heuer, a Swiss watch company. The decision to sell Geberit to Doughty Hanson appears to have been motivated by the need for speed. Doughty Hanson is a small and highly entrepreneurial outfit whose young executives can make quicker decisions than the typical risk-averse Swiss banker.

Geberit, which partly financed the deal by issuing a German junk bond, is now a highly leveraged company, whose ability to participate in the expected consolidation of a fragmented European industry is constrained by its weak capital ratios. Doughty Hanson's ambition is to float the company on the stock market soon.

But if the recent miserable stock market experience of Tag Heuer, another company floated out of the Doughty Hanson stable, is any guide, investors need to tread carefully. There is evidence that the financiers backing many of these so-called "management buy-outs", which are really institutional investor "buy-ins", are in such a hurry to capitalise their profits that some companies are being brought to market before they, and their managements, are ready.

Micronas, a former MBO of a Swiss microchip company, is another example. It was floated on the stock market in March 1996 by Bank Vontobel and its shares opened at a 40 per cent premium to the issue price. In little more than a year it felt confident

Switzerland: buy-outs
Value (SF m)



Source: Initiative Europe/CMBOR

enough to quadruple its size by buying ITT's last European semi-conductor business. However, along the way it has missed every profit forecast it has made in its short stock market career. Last November it was forecasting a SF200m net profit for 1998. Now it has announced that it could lose SF250m in 1998 and its earnings will not top SF200m before 2000, if it is lucky.

Micronas has passed its dividend, sacked its management, and is hoping that investors will give it a second chance. It makes a cautionary tale. Admittedly, not all the Swiss MBOs which have been brought to the stock market recently have disappointed. Companies such as Komax, Stratec, SEZ and Disetronic have rewarded investors handsomely. But the financial advisers of electronic companies such as SAIA-Burgess and Schaffner, two 1996 MBOs being floated on the stock market this year, are conscious that their reputations are on the line if their new offerings fail to live up to their promises.

Nevertheless, the rush to bring recent Swiss MBOs to the stock market is a worrying signal that the market is overheating. The supply of quality companies is far from inexhaustible. For the moment the environment is very benign. The Swiss stock market is nudging a record high and trading on previously unheard of multiples of around 25 times earnings. Interest rates are at their lowest level since the 1930s and investors are prepared to accept a higher than normal level of risk.

But the heady rise in the stock market may be lulling the backers of MBOs into the same sense of false security as affected the Swiss bank-

ers, whose earlier bad lending decisions were disguised for a long time by inflationary rises in Swiss property values which subsequently collapsed.

Bernold Sammlinger, a financial adviser who is president of the Swiss private equity and corporate finance association (Seca), says that the flow of deals is not increasing to match the demand. Like many practitioners he is very conscious that the increasing competition of London houses, such as Schroder Ventures, Doughty Hanson, LGV-Candover and the Prudential PFM Ventures, is putting pressure on margins.

Daniel Flaig, whose SBC Equity Partners is the main local player, says that the two main sources of buy-outs in Switzerland remain large corporations which are re-focusing on their core business, and medium-sized family-owned companies which are world leaders in niche markets.

But in an introduction to this year's European Buyout Review he sounds a cautionary note. Swiss MBOs as a percentage of Switzerland's gross domestic product are more than twice as high as the ratio for France and Germany. He finds this surprising given that the Swiss legal and tax environment provides little help in the structuring of MBOs. For example, interest paid on acquisition loans is difficult to deduct from operational profits - as tax consolidation does not exist - and tax effective amortisation of goodwill incurred by a buy-out transaction is impossible. If the recent hectic pace of Swiss MBOs continues, investors would be wise to read even more closely the small print in their next Swiss deals.

Doing business in Europe? You can't afford not to join



The European Venture Capital Association (EVCA) represents the venture capital and private equity industry both within Europe and throughout the world.

Promoting the sector to investors globally and lobbying within Europe is only part of EVCA's role. Through a range of events and communications, EVCA seeks to inform and advise its members, providing unique information products, networking opportunities and occasions to exchange views and ideas from fund raising to exits, from seed capital investments to MBOs.

Over 400 venture capital and private equity companies, lawyers, accountants, corporate financiers, bankers and other professional advisors know the benefits of being part of EVCA.

Call us on + 32 2 715 00 20 (or visit our website) for a copy of our annual directory which contains information on EVCA and its activities as well as a list of your competitors who are members.

Isn't it about time you joined them?



Minervastraat 6 Box 6, B-1930 Zaventem, Belgium
Tel: + 32 2 715 00 20 Fax: + 32 2 725 07 04 e-mail: evca@evca.com web: www.evca.com

مكتبة الامم المتحدة

EASTERN AND CENTRAL EUROPE • by Tom Lynch

Very much at the start of the road

The environment has changed but a degree of caution remains

After the fall of communism, much of eastern and central Europe was no place for the faint-hearted to do business. Investors had to contend with poor infrastructure, rampant crime, corrupt cronies and outright defiance of new owners - not to mention high inflation and interest rates.

Some of that remains, but things have been changing. "As the markets in central and eastern Europe start to normalise, everything happens faster than people normally expect," says Mr Janusz Heath, director for central and eastern Europe for Deutsche Kleinwort Benson.

In Poland, he says, people describe things as moving forward in "dog years" - just as a canine year is roughly equivalent to seven

human years, the country makes as much progress in a year as others do in seven.

A number of big funds have been building up their expertise in the area. But so far, says Ms Joanna James, managing director for central Europe of Advent International, the Boston-based private equity investor, it has been mainly a development capital market.

Few buy-out deals have been done even when the term is used, it often refers to the purchase of a business in a privatisation followed within months by a flotation on the local exchange.

As the macroeconomic situation becomes more stable, investors with a longer-term outlook are beginning to eye the market, though there is a lot more caution when it comes to eastern Europe.

Carol Kennedy, director of developing markets for Funtel, the UK-based private equity advisory group, says it will be a couple of years before her company is investing there on behalf of clients.

Janusz Heath, director for

eastern and central Europe at Dresdner Kleinwort Benson, is also keeping an eye on Russia for the medium term. Corporate governance is improving, he says, and with a potentially huge economy and businesses which are capable of being world-competitive, "people ignore Russia at their peril".

He expects that employees and managers who have taken control of businesses in the past few years will need capital.

As far as central Europe is concerned, Ms Kennedy believes that the macroeconomic position in several countries looks more positive - a sustainable economic situation is important for a fund that prefers to invest for eight to 10 years.

Poland and Hungary have attracted most attention for private equity investors. Ms Kennedy recalls that even under communism not everything was state-owned, and some managers were already "straining at the leash" to work in the market place.

Mr Heath points out that



Carol Kennedy: there will be buy-out opportunities when the banks are privatised

some management teams "survived in environments that most western managers couldn't imagine".

The strong exile communities with management skills, such as marketing and distribution, which were not encouraged under communism.

Also, says Ms Kennedy, returns and others reclaiming the property appropriated by the communist regimes are highly motivated and working hard to make a success.

The other relatively advanced central European market, the Czech republic, is still regarded by investment professionals as difficult. Much privatisation was only skin deep because the voucher funds ended up under the thumb of state-controlled banks. Once the banks are privatised, says Ms Kennedy, there will be buy-out opportunities.

Where privatisation has actually been accomplished, many investors are waiting for the next round of opportunities when multinationals seek to spin off parts of the businesses they bought from

the state. This, however, has yielded little of substance so far.

Michael Carter, managing director of Rous & Co, investment adviser to First Hungary Fund, says "bits and pieces" have been spun off - but most of the businesses have been "pretty small", and generally snapped up by management with a bank loan.

The Hungarian Development Bank has been active here, he says, "on terms we are not interested in competing with. The classic proposition that would be interesting to a foreign buy-out just isn't there."

For the time being, he says, "a combination of high interest rates and a shortage of term debt financing will hinder leverage possibilities."

Mr Heath confirms that the buy-out market is "very much at the start of the road".

In Poland, for example, Dresdner Kleinwort Benson has helped two buy-outs by management from businesses under their control, but the sums involved were nominal - the objective was

more to tidy up the investment portfolio.

Most operators see Poland and Hungary as the best prospects for buy-outs. In Hungary, Advent International - which expects to complete its second central and eastern Europe fund of up to \$300m by the end of the year - has done two buy-out deals.

More significant moves can be expected: in Poland the privatised "foreign trade companies", previously import-export vehicles for the old communist regime, are coming under institutional pressure to "clarify their business," says Mr Heath. "One of the inevitable consequences will be a buy-out market."

This will provide investment opportunities, he says, for those who understand the legal and regulatory frameworks of the region's diverse countries.

Ms James says she does not expect the flood gates to open, but there should be a gradual build-up of buy-out activity, pointing out that "you can only have buy-outs if you have someone to buy from".

AUSTRALASIA • by Tom Lynch

Down Under a potential target

Re-focusing moves by conglomerates could make this a busy year

A combination of a conglomerate-heavy economy and a western-style legal structure makes Australia a natural target for anyone interested in private equity buy-outs.

One example is PPM Ventures, the venture capital arm of the UK's mighty Prudential insurance group. In March it bought Catalyst, the dominant local player.

Andrew Smith, a director of PPM, says there was a history of management buy-outs in the country, but most had been small. A lack of capacity was one of the factors restraining development. There was also a shortage of "experienced money" and a gap in the market: most buy-outs were under US\$50m but there was a market for international sale of businesses with price tags of \$150m or more.

Catalyst, established in 1980, needed money for the \$50m-plus deal, so the Prudential stepped in and bought the company. It put in a director experienced in larger buy-outs to work alongside existing management, but Mr Smith said it would continue to work autonomously.

It was a good time for a global operator to move into Australia: international companies such as GEC and BTR were restructuring and spinning off much of their Australian businesses. This gives an edge, says Mr Smith, to private equity companies which can operate on more than one continent.

Indeed, last month saw two significant buy-out deals, one of which illustrates the need for serious private equity players to

have a global reach. CVC Capital Partners and DLJ Merchant Banking Partners took Australian Building Products off BTR's hands as part of a \$1.08bn deal which included Formica - all part of BTR's drive to dispose of non-core subsidiaries.

The Australian group, which has been renamed Amatek, had been toiling for some years. CVC has said it plans to invest in the business with a view to flotation. The other big deal was the \$172.4m sale by Carter Holt Harvey, the New Zealand conglomerate, of its building products group to a consortium of senior management and Australasian institutions, led by AMP Asset Management and including Grant Samuel Private Equity and listed Auckland-based Direct Capital Partners.

AMP is expected to emerge with 41 per cent of the new company, which operates in Australasia and the US and is to be called Tasman Building Products.

The deal was the largest successful management buy-out in New Zealand and the second largest in Australasia, second only to the 1990 spin-off of Leigh Mardon by Coca-Cola Amatil. The new owners say the deal - funded by Bankers Trust and ANZ Bank - was not highly leveraged by MBO standards. The aim was to increase the value of the business, not to strip assets.

Australians are increasingly using the auction system to sell off businesses, says Mr Smith, and merchant banks and accountants are increasingly aware of the availability of private equity.

There is, he says, the opportunity for Australia to develop along the lines of the UK and the US. With local conglomerates pondering a more focused future, 1998 could continue to be a busy year Down Under.

Foodstuffs for Advent

Hopes of a developing private buy-out market in central Europe partly rest on whether the few which have taken place so far turn out to be successful.

One of the two buy-outs organised by Advent International involves Casbal, a food processing company based in eastern Hungary. Under communism, it supplied basic foodstuffs to Russia. After communism, it struggled.

The then state-owned company went into Hungary's equivalent of US Chapter 11 protection from creditors procedure, and the government effectively washed its hands of it, handing it over to a state-owned development bank in a bundle of 80

bankrupt companies.

The company made progress on its own, but needed investment. Advent put together a syndicate of private equity funds which took over Casbal last autumn in a \$20m deal. It even raised mezzanine finance from the US - a rare beast in central Europe. Advent's funds now own 44 per cent of the business.

Casbal, says Ms Joanna James, Advent's managing director for the region, offered investors a solid, stable company at a low price, which was profitable and a cash generator.

With a company like that, she says, "we are not just going to flip it". Instead, Casbal - with an infusion of

sales and marketing skills - is trying to change how it does business.

"What we would like to do is improve quality by moving away from commodities towards branded consumer goods and to reduce the company's dependence on the Russian market," says Ms James.

The buy-out model, says Ms James, is still largely unknown in the region but the deal was done with a development bank which was familiar with international financial practices.

Advent expects to spend two to three years developing the company, then to sell it on via an initial public offering. Many eyes will be watching how it works out.

This announcement appears as a matter of record only.



**MANAGEMENT
BUY-OUT**



**Continental Sweets
Europe**

Structured, Led and Arranged by
**Gilde Investment Management
AXA Private Equity Fund**

Equity Provided by
**Management
Gilde Buy-Out Fund
AXA Private Equity Fund**

Senior and Mezzanine Debt Arranged,
Underwritten and Provided by
Union Bank of Switzerland

Advisors to the Transaction
**Clifford Chance
Coopers & Lybrand NV**

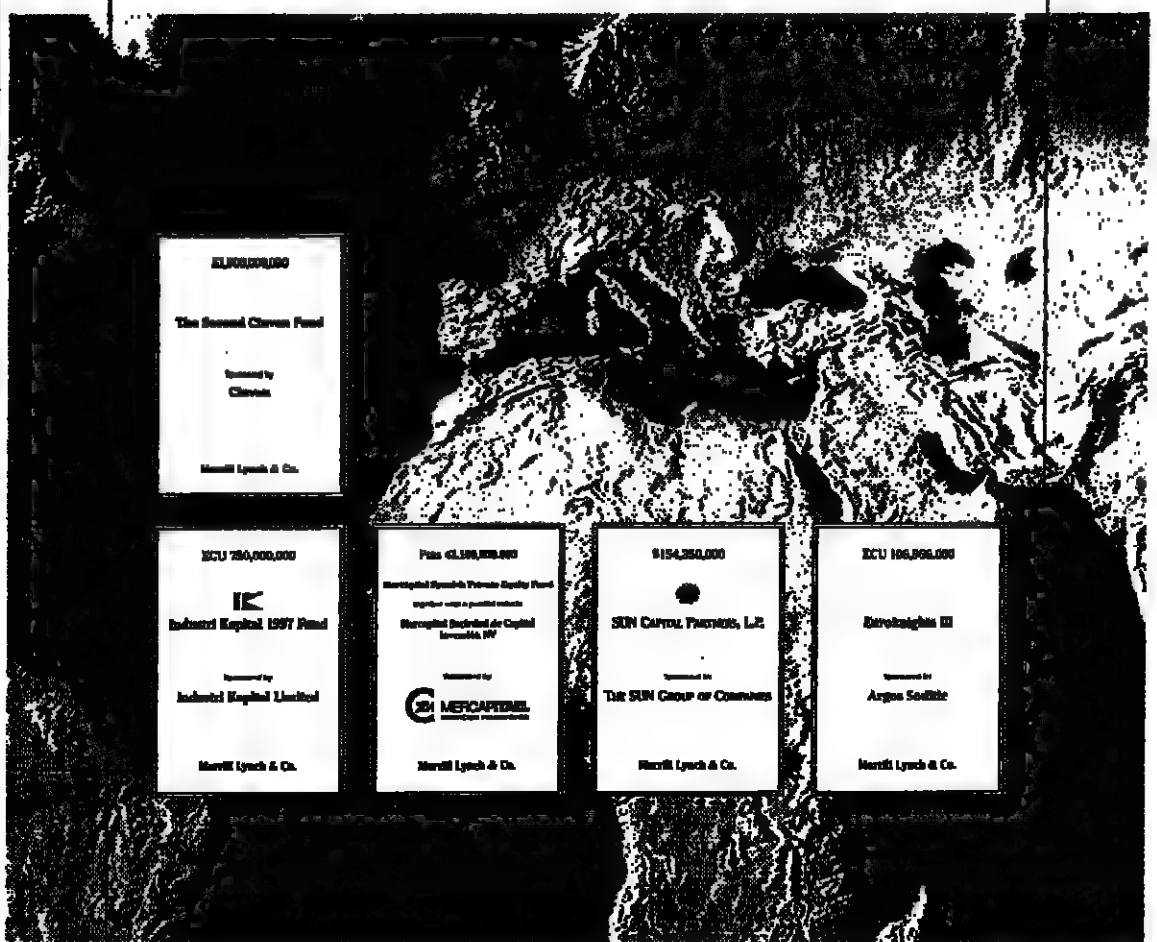
May 1998

Gilde

GILDE INVESTMENT MANAGEMENT

Newtonlaan 91
3584 BP Utrecht, The Netherlands
Tel +31 30 219 25 25
Fax +31 30 251 56 64

Merrill Lynch
on private equity expertise
in Europe, the Middle East and Africa.



If you are considering a private equity placement to raise a fund or finance a buyout, the firm to consider is Merrill Lynch. Our 38 member global Private Equity Group has depth of experience, extensive contacts and an exceptional global distribution network. Merrill Lynch brings an impressive capability to fundraising and direct

placements that issuers and investors will find difficult to match. For more information on our range of services, please call 44 (171) 867 3879. Superior private equity capabilities for our clients in this region can make a world of difference.

The difference is Merrill Lynch.

Merrill Lynch
A tradition of trust.

©1998 Merrill Lynch, Pierce, Fenner & Smith Inc. (Merrill Lynch, Pierce, Fenner & Smith Inc. is a member of the London Stock Exchange.)

14 PRIVATE EQUITY - THE BUY-OUT MARKET

ASIA • by Tom Lynch

Turbulence could open doors

Buy-outs could provide a solution for companies hit by the financial crisis

Asia has not been much of a place for buy-outs over the past few years, especially those financed by private equity. The easy availability of bank loans at 10-12 per cent meant that buying a business did not need to involve satisfying a venture capitalist's demands for returns - and information.

But Asia has been shaken by the financial crisis. The private equity market will have to wait to find out whether it will benefit from the change wrought by the crisis - but it may not have to wait too long.

At least two main forces are driving change: the need for large conglomerates to restructure after the crisis and the continuing trend towards privatisation.

Dan Schwartz, editor of the Asian Venture Capital Journal, says another force was at work even before the crisis began - a new generation of Asian bosses was beginning to change companies' attitudes.

Some of the fortunes generated by successful entrepreneurs was spent on giving their offspring the best education the world's top business schools could provide. The youngsters returned to tell their parents and grandparents that trying to operate simultaneously in auto components, film, furniture and dairying was not the way of the future.

Mr Schwartz believes that change would have occurred anyway, but has been accelerated by the crisis. "There are a lot of good assets, the question is what will become of them. Some belong to pri-

vate family companies which don't want to sell them, but will be forced to sell them because they have other assets underwater."

There is also the question "face" - that untranslatable mixture of status, image and pride which is so important across Asia. Traditionally-minded owners of companies burdened by debt are reluctant to be seen to be forced out of one of their businesses.

Andrew Smith, a director of PPM Ventures - the vehicle for bringing some of the vast assets of the UK's Prudential group to bear on Asia - believes buy-outs are seen to be looking after their employees by selling the business as a going concern under local management.

If opportunities for buy-outs do start to emerge in the aftermath of the Asian crisis there is plenty of money out there looking for investment. Some fear that there might almost be too much, though experienced venture capitalists are unlikely to fall into the trap of lowering standards to win the business.

Mr Smith believes the next few months will be crucial. "At the moment, it is not proven that there will be a sale of assets. The cultural obstacles are still there, and some people are unwilling to believe that things are as bad as the outside world says."

But it is not clear how long the burden of foreign debt will take to force change, and if it does it is not certain that buy-out solutions will be sought.

However, Mr Smith adds, there is anecdotal evidence that attitudes are changing: from India, there are reports of consultants persuading big companies that they need to be more focused.



Violence in Jakarta: economies of many Asian countries have been hit by the financial crisis

Mr Schwartz agrees. The last quarter of 1997 was chaotic, he says, and venture capitalists spent the early part of this year looking for deals. "There are tremendous opportunities for asset growth: you will be seeing staggering numbers if you get deals done."

"The problem is what you do with the debt - the banks are not going to walk away from it. There is no easy answer - those who figure it out will get the 200-300 per cent returns."

Debt and cultural obstacles apart, the main problem is ensuring the right management mix for any new venture. Mr Smith sees similarities with the situation in many East German companies after the fall of communism. Many companies are strong in technical skills and have modern equipment, but are weak in marketing and finance: grafting those skills on is expensive.

Japan, a mature market with little buy-out activity so far, could be an interesting proposition if its conglomerates restructure, as could South Korea; and the skilled financial and

marketing managers are in place.

Of the crisis-hit economies, Mr Smith sees Thailand and Korea as the most willing to accept restructuring, adding diplomatically "other countries are responding at different rates and in different ways".

Charles Richardson, director of corporate affairs at UK venture capital group 3i, says he is aware of 10 significant buy-outs involving institutional investors in the past few years. Through 3iBJ, its joint venture with the Industrial Bank of Japan, it has been involved in four.

Most, he says, have been buy-outs from international companies, but now there are more businesses for sale in Japan than ever before - mostly from loss-making conglomerates - and 3iBJ intends to put more emphasis on buy-outs when seeking solutions for them. "We are not expecting a huge rush," he says - more of a "reasonable take-off".

Coming along behind the crisis-enforced restructuring is the continuing privatisation trend. So far there have

been big sales to strategic investors, the next stage might involve buy-outs from the remaining state sector, or from those large businesses bought out in the first phase of privatisation.

Mr Smith sees India and China as big markets in the long term as their self-offs continue, with Vietnam also likely to yield opportunities.

The next few months might give a good indication of whether buy-out solutions will play a significant role. "It won't take a lot of examples to trigger acceptance that it is a financial form that can be used in Asia," says Mr Smith.

He believes that buy-outs may take new forms - venture capitalists will take their basic investment rules and apply them to the Asian context, providing structures that would not be recognised in the west.

For Mr Schwartz, the key is to get money through the structural and cultural obstacles into a continent largely starved of capital. That, he says, is "a rare, unique and fascinating opportunity".

LATIN AMERICA • by Henry Tricks

Trickle now a torrent

The common goal of the funds is to beat the standard 30% return in the US

Private equity funds have stormed into Latin America this decade as large family businesses and state-owned companies in the region start to slide into the history books.

From barely a trickle in the early 1990s, private equity commitments to Latin America rose to \$1.2bn in 1997, more than double the \$15bn the year before, according to the US publication, The Private Equity Analyst. It estimates that this year the figure could increase to up to \$5bn.

Using money from large US public and private pension schemes and university endowments, the funds are hunting out companies in Latin America that are slated for privatisation or face competitive pressure because of capital shortages or old-fashioned management.

Venture capital for start-up companies is still rare, but the buy-out opportunities have caught the interest of giants such as Dallas-based Hicks, Muse, Tate & Furst.

Their tactics may differ - some look for potential turnaround businesses and others at companies that have long been profitable but lack capital. The common goal of buy-out funds, however, is to achieve higher annual returns than the 30 per cent standard in the leveraged buy-outs common in the US.

"We basically invest in businesses that are historically profitable. We see many opportunities to provide capital to businesses in this part of the world to help them expand to meet existing demand," said Charles Tate, president of Hicks Muse, which aims to raise at least \$1bn in its Latin America fund by July. Hicks Muse's interests in Mexico, for example, range from a \$120m investment in pay television provider MVS Television, to insurance,

food and glass bottling. MVS needed a cash-rich partner in the wake of Mexico's peso crisis to enable it to retire debt and find working capital for investment in its satellite-based services.

The need for capital is the main driving force behind the transactions, especially while bank lending in countries such as Mexico remains comatose after a two-year banking crisis. "Bank lending doesn't exist and the equity capital does not exist in their own country. Otherwise they would not be talking to people like us. If they could find it locally they wouldn't need foreign capital," Mr Tate says.

Unlike in the US, he says borrowing money locally to do leveraged buy-outs in Latin America is too costly. Using borrowed dollars also creates exchange rate exposure. Hence, most of the buy-outs are equity financed.

"You have to invest in businesses that have inherently better growth prospects than a comparable business in the US so you make up for the lack of leverage," he said.

That means looking for annual returns of around 35 per cent. According to Steven Galante, publisher of The Latin American Equity Analyst, the targets are most likely to be family-owned companies and state entities slated for privatisation. Some South American companies have also raised private equity to do cross-border acquisitions that give them regional clout.

With the buy-out business still young, many potential targets view it with mistrust.

For the funds, Mr Galante says, the problems are a lack of financial transparency among Latin American companies, problems in finding expert management, and the extent to which the company may owe back taxes. The buy-outs are most likely to be of businesses selling to domestic markets, rather than exporters, and the bulk of the investments so far have been in Brazil and Argentina, he added.

One fund that has recently set its sights on South Amer-

ica is London's Electra Fleming, which describes itself as the first UK private equity fund to enter the Brazilian market. It has done so in a joint venture with the Factual Group of Brazil.

Fred Vincent, Electra Fleming's chairman, has his eye on small privatisations, or concessions to provide services in areas such as railways or water. He describes the fund as "very agnostic". In that it is also prepared to take minority investments in well-run businesses or to buy into family companies that are hamstrung by squabbling siblings or a problem child.

In some cases, the fund would leave existing management in place, though other private equity executives insist on drafting in bright, young professional managers from top international business schools who have corporate experience.

"There are often perfectly competent managers already there, but they have been ignored. You have to give them a piece of the action," Mr Vincent says. "Our skills are spotting the talent before it blooms."

When venture capitalists talk about their plans, they invariably give high priority to an "exit strategy" - how they will realise part or all of their investment.

There have only been a handful of cases when funds have taken companies to market. One was a public offering by a small Mexican duty-free airport franchise, Aeroboutiques, which was brought to market by Advent International, an affiliate of Boston's \$3.5bn Advent venture capital group. GEO, a Mexican low-income housing company that had private equity backing, is now listed on Mexico's stock market.

But in general, the local stock markets are too shallow to absorb a burst of new equity issues, though private equity fund executives hope the growth of private pension schemes in Latin America will alter that. Until they do, the more likely exit is selling the business to a larger local company or a multinational.

FINANCIAL TIMES

FOREIGN

Far from
decline
business
fast. Simon Kuper
Old order
way to the

Coopers & Lybrand

Corporate Finance

MUMBO

Solutions
for Business

When it comes to making sense of MBO/MBIs, choose the team with jumbo experience. For details, call 0800 289 800.

مكتبة الامم المتحدة



FOREIGN EXCHANGE

Far from being an industry in decline, the foreign exchange business is thriving and evolving fast. Simon Kuper explains

Old order gives way to the new

Every bank executive in foreign exchange makes the same prediction: there will be fewer of their number soon.

Certainly, the big banks are getting bigger. A lot of jobs will vanish sooner than most people expect. And certainly, many of the easy ways of making money are going or have gone. But it is wrong to regard foreign exchange as the incredible shrinking industry.

Almost every bank in the industry reported vast increases in currency revenues last year. Standard Chartered said it had made a loss on only one day of 1997, July 2, when the Thai baht was devalued. Most banks made a killing out of the Asian crisis, which lasted for much of the second half of 1997. Then, in the first quarter of this year, mature banks such as Chase and Bank of America, reported that their currency revenues had risen by 70 per cent.

Guy Whittaker, head of foreign exchange at Citibank, the market leader, explains that clients are having to convert ever more money into other currencies. Pension funds are investing abroad, world trade is growing far faster than the world economy, and currency trading desks at banks are taking their cut. Later this year, the Bank of International Settlements publishes its triennial report on the size of the foreign exchange market. Almost certainly, it will announce a leap in volume from the \$1,200bn a day recorded in 1996. The world's largest market is getting bigger. So why is everyone talking about consolidation - apart from the fact that they all got the idea from each other?

Executives point to some genuine shrinkages. European monetary union will erase 11 currencies from the market. After the Asian crisis, many speculators pulled out of emerging markets currencies, and these have gone rather quiet too. Banks are no longer opening new offices in unlikely developing countries every day, as they were last year. Electronic broking machines replaced many human brokers in the early 1990s and cut the margins that banks used to charge on trades. Now, internet trading is starting to replace human traders. Over the past 10 years the demand for foreign exchange has grown while its price has fallen, says Mr Whittaker. He concludes: "We don't need to grow the number of people in the business." Some of his counterparts talk of mass sackings. Bank of America says it has about as many traders as five years ago, but three times the volume of trade.

And more banks are merging every month. The UBS-SBC merger effectively replaces two of the top-10 banks in foreign exchange

with one. Bank of America and NationsBank together will satisfy a significant part of the currency needs of corporate America. With fewer banks, there will be fewer foreign exchange employees. And the more trades a bank sees, the better it knows the market's mood and the more money it can make. Robert McKnew, head of foreign exchange at Bank of America, says: "The economics of concentration at this point are overwhelming." Mr Whittaker says: "There are fewer and fewer major participants."

But press executives a little harder, and you find that when they say the industry is consolidating, they are only talking about its top tier. About 10 large commercial and investment banks - Citibank, HSBC, Chase, Deutsche, J.P. Morgan, the new UBS, Goldman Sachs, Merrill Lynch, Bank of America, Credit Suisse First Boston, ABN-Amro and arguably one or two others - are competing for a few hundred clients.

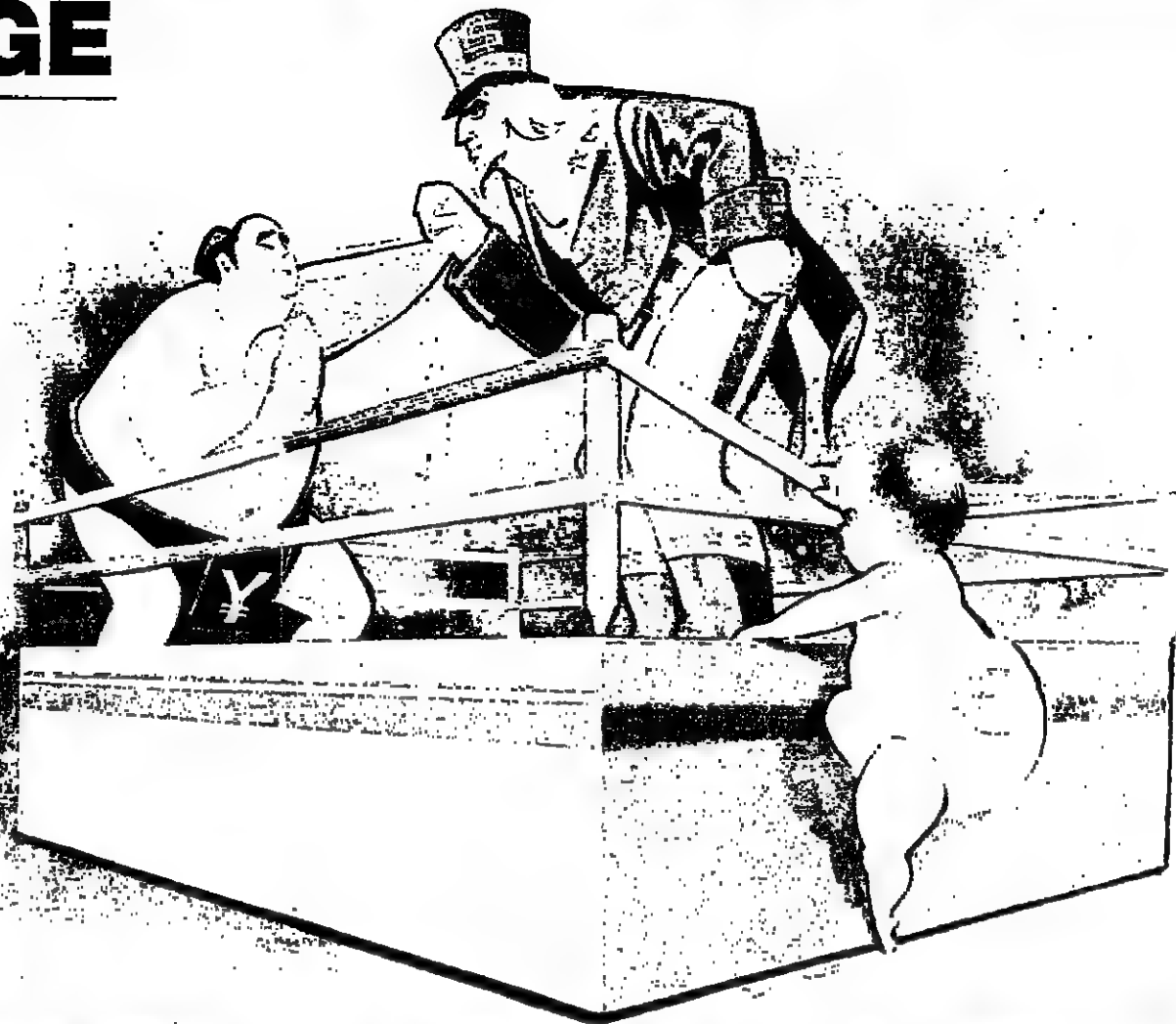
These clients are the most lucrative in the business: multinational companies and investment funds that are willing to spend tens of millions on foreign exchange. Most of them are in the US or Europe. However, Thorold Jucker, head of foreign exchange at J.P. Morgan, the US investment house, says Tokyo's Big Bang of financial deregulation in April has made it easier for foreign banks to do business with the big Japanese clients. The *gaijin* have quickly stolen much of the Tokyo market, partly because many Japanese banks have been downgraded by ratings agencies.

The biggest global customers will buy expensive derivatives to manage their risk: they need forecasts for dozens of currencies; and they will trade hundreds of millions of dollars every week. These clients want the banks that seem to have the best people, and the banks that seem to know most about the most countries. They want perfect technology. Their banks therefore have to be big and willing to spend money. At the top, consolidation is taking place: fewer big banks are still in the race for the biggest customers. During the past year the two biggest UK currency banks, NatWest and Barclays, had to drop out of the big league. Others may follow. Christine Mandell, Mr McKnew's deputy at Bank of America, admitted that the mammoth merger between Citibank and Travelers Group was "a little worrying to those of us who haven't merged in the last six months". A week later, her bank had teamed up with NationsBank.

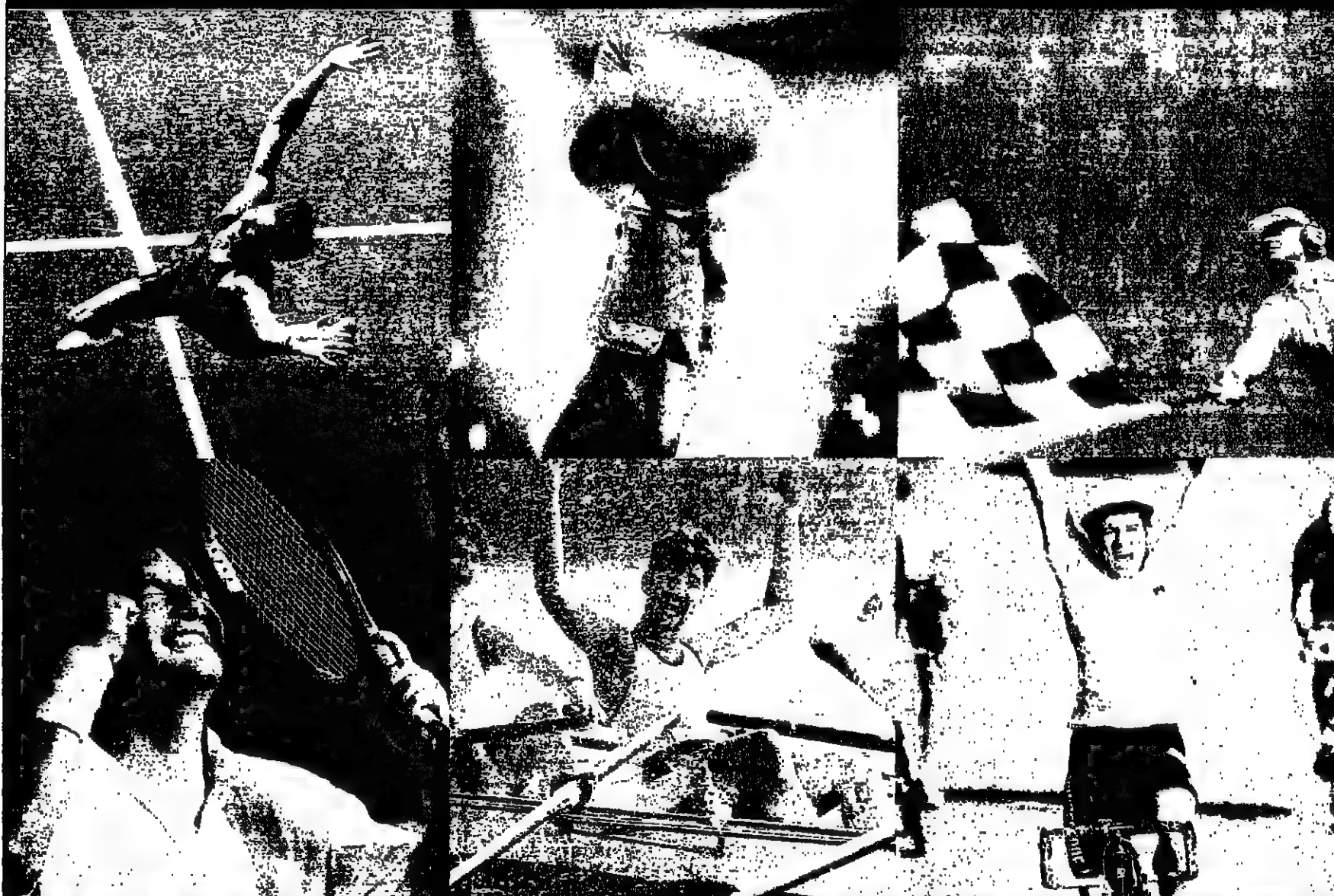
The shrinking number of big players, and the rise of electronic brokers, has changed life in the market.

Ten years ago large trades took place every few minutes. About 70 per cent of them simply entailed banks trading with each other, not on behalf of any client. However, now that banks make only tiny margins on most trades, they are less keen on trading simply in order to help each other out. Today, at least 50 per cent of trades involve customers as well as the banks themselves. With fewer big banks in the market, it can also be harder to convert large sums: say, \$500m into D-Marks. So banks have to be prepared to sit on sums like these for

Continued on page 2



First. First. First. First. First. First.



Now what's the first word that springs to mind when you think of Skandinaviska Enskilda Banken's Forex expertise in Northern Europe?

In the Euromoney Forex Poll published this May, Skandinaviska Enskilda Banken came first in no less than four categories. First in the Overall Currency Pairs DM/Sek. First in the Overall Best Dealers in Scandinavian Currencies. First in the Interbank Currency Pairs DM/Sek. And first in the Interbank Scandinavian Currencies category.

Another first in FX was achieved when FX Week awarded Skandinaviska Enskilda Banken the best in Scandinavian currencies. Now, isn't that enough firsts to be going along with? Not quite! Because, in Central European's Awards for Excellence 1998, Skandinaviska Enskilda Banken achieved yet another first, being voted The Best International Bank in the Baltic States.

Living proof, surely, that when it comes to Forex expertise in Northern Europe, Skandinaviska Enskilda Banken really is the first and last word.

Skandinaviska Enskilda Banken

<http://icm.sebank.se>

STOCKHOLM. GOTHENBURG. MALMÖ. COPENHAGEN. HELSINKI. OSLO. LONDON. NEW YORK. PARIS. HONG KONG. SINGAPORE. TOKYO. FRANKFURT. HAMBURG. DUSSELDORF. LUXEMBOURG. MARBELLA. NICE. MOSCOW. BEIJING. SÃO PAULO.

Issued by Skandinaviska Enskilda Banken AB (publ) which is regulated by the SFA for the conduct of investment business in the U.K.



Guy Whittaker: in 10 years the demand for forex has grown

2 FOREIGN EXCHANGE

THE DOLLAR • by Gerard Baker in Washington

Strong line shifts into neutral

Though the US has stopped talking up the dollar, it does not mean they want it to fall

A year ago, Robert Rubin, the US Treasury secretary, uttered a few words, that, in the semantics of foreign exchange rate policy management, were redolent with significance.

Ever since the dollar had hit bottom against the leading currencies in 1995, Mr Rubin and his colleagues had a verbal policy for the dollar that was simple and declarative. Whenever asked what they wanted for the US currency, they would say "We favour a strong dollar", or some very similar formulation.

But a year ago, the formula changed. Mr Rubin still affirmed his support for a "strong dollar." But to the now familiar mantra he added a coda: "And we have

had a strong dollar for some time now."

The remark was no casual aside; it has, in its turn, now become the official US exchange rate policy, repeated ad nauseam by Treasury officials. In recent weeks, officials seem to have gone even further. Noting the Japanese government's concern about the weakness of the yen, they have said: "We share that concern."

What do these tortuous verbal gymnastics amount to? Has the US stopped talking up the dollar? If so, does the Treasury now wish to see it fall? Will the verbal shift be followed soon by active exchange market intervention to depress the US currency?

US policy has clearly changed. Where the previous approach seemed to acquiesce in, or even actively promote, the steady appreciation of the dollar from its low point from 1995 to 1997, the new line suggests the US is no longer actively seeking

a stronger dollar.

But that does not mean Mr Rubin and his colleagues are now trying to devalue the currency. Instead, the current policy is a more neutral approach. Though they have stopped talking up the dollar, that does not mean they either expect it or want it to fall.

Since April last year the trade-weighted value of the dollar has risen by 6 per cent against the yen, it is 10 per cent higher. Since it hit its low point in April 1995, the dollar has now risen by more than 65 per cent against the Japanese currency.

In past times, such rapid appreciation would have produced howls of anguish from US companies. But, with the exception of a few pleas from some quarters, political and business pressure for a weaker currency has been muted. This is mainly because the US domestic economy remains in its best condition in a generation. Unemployment is at a 28-year low, inflation at a 30-year low, and growth is at its most rapid sustained pace in more than 10 years.

Not only has this damped traditional domestic anxiety about the growing trade deficit, but it has reinforced the view in the US administration that exchange rate movements in the last few years have been driven by fundamental economic performance.

The dollar has merely reflected the strength of the domestic US economy, while the weakness of the yen and Continental European currencies has matched Japanese and European economic malaise.

Financial markets have as a result favoured the dollar. US short-term interest rates, at about 5.5 per cent, are about 5 percentage points above Japanese rates. And the immediate prospects are for a further widening of the differential - US rates seem more likely to rise than fall this year, while, remarkably, Japanese rates could fall even further from their current level.

The Asian financial crisis

has further bolstered the US currency, as investors have sought a safe haven for their funds, and found, to their liking, that the strong returns on US assets justified their decision.

In those circumstances, officials believe, a policy designed to weaken the dollar would have run directly counter to market pressures and would almost certainly have been unsuccessful.

In any case, the strengthening dollar has been something of a boon to US policy-makers - it has undoubtedly helped cool the US economy as it has shown serious signs of overheating in the past two years.

In short, economic fundamentals have driven exchange rate movements. Economists note that, as the European picture has changed over the past few months, so too has the dollar-D-Mark exchange rate. The gradually strengthening

recovery in continental Europe has meant the dollar has given back some of its gains against the D-Mark.

And the emergence of the euro in the next year may also further weaken the dollar as the pattern of demand for currencies changes.

Not only will central banks need to reweight their reserves towards the euro, but in the early stages of monetary union, the chances are that the European Central Bank may need to raise interest rates.

Firmer against the yen, a little weaker against the euro: if these fundamentals continue to drive exchange rate movements, why has the US appeared to shift at least its verbal position on the dollar in the last year?

The answer is Japan.

The US is not only reluctant to see Japan export its way out of its economic difficulties through a continually weakening yen, the adminis-



Robert Rubin: has changed his tune a little and stopped talking up the dollar

tration also shares the overall nervousness in Tokyo and throughout Asia about the prognosis for the Japanese currency.

A further sharp increase in the dollar-yen rate could prove destabilising for countries in the region as the

Asian problems continue.

But there is still no evidence the US is prepared to abandon its faith in fundamentals and try to help the yen through participation in co-ordinated intervention, though it has offered moral support for the efforts of the

Bank of Japan in the past few weeks. Yet, until that moral support is backed up with action in forex markets, there seems little reason to doubt the US view that economic fundamentals will continue to dictate currency movements.

THE YEN • by Paul Abrahams

Dreaming of a way to curb slide

If the yen continues to depreciate the consequences could be serious

High on the wall of Eisuke Sakakibara's unusually large office deep in the heart of Japan's ministry of finance hangs an electronic board filled with real-time financial data. As he sits through interviews, Mr Sakakibara, vice-minister of finance for international affairs, occasionally glances up at the changing figures. His focus is not the Nikkei 225 index, nor the yield on the 10-year benchmark bond. Rather his main concern is centred on just one set of data - the yen dollar rate. Not for nothing is Mr Sakakibara popularly known as "Mr Yen".

In recent days, Mr Sakakibara has been glancing up at the board with more concern than usual. Whereas, in 1995

he was anxious about the yen's strength - it reached a high against the dollar of ¥160 or ¥155 - now he is worried by its weakness. Since February, despite Mr Sakakibara's frequent public pronouncements that the yen is hugely undervalued, the Japanese currency has depreciated more than 11 per cent against the dollar.

The question is no longer whether the Japanese authorities can halt the slide - they almost certainly cannot - but whether they can control the speed of its decline. Only last month analysts were talking privately about the currency reaching ¥150 late this year. Now some are mentioning a figure as high as ¥180.

In theory, a decline in the currency should be good for Japan, allowing it to end the recession by exporting its way out of trouble. The problem is that nearly 40 per cent of the country's exports go to Asia which is in economic crisis. Indeed, devaluing the yen exacerbates the other Asian countries' already precarious predicament by making exports to Japan, which accounts for 70 per cent of Asia's gross domestic product, less competitive. At a time when Asian countries should be increasing exports to Japan, their first or second most important export market, they are suffering from a fall in demand. During the first 10 days of May imports into Japan fell 28 per cent.

If the yen continues to depreciate the consequences could be serious. Not least, it could put the currencies of Hong Kong and China -

which are pegged to the US dollar - under severe threat.

"Even a rate of ¥160 or ¥155 to the dollar is fairly scary," says Ron Bevacqua, economist at Merrill Lynch in Japan. "The Chinese and Hong Kong economies are already decelerating sharply, and a yen that cheap could force them to devalue - not this year perhaps, but possibly next. That would lead to further competitive devaluations across the region, plunging the region back into crisis. I don't want to be too bearish, but it's a feasible scenario."

The basic problem is the interest rate differential between assets in the US and Japan. US treasury bonds are offering a yield of about 5.5 per cent, while Japanese long bonds provide about 1.4 per cent. "Since the summer of 1995, the yen has depreciated at an annualised rate of 13 per cent," says Michael Naldrett, economist at Dresdner Kleinwort Benson in Tokyo. "For Japanese investors, the combination of the yield and the depreciation offers a 16 per cent differential - that's a powerful incentive to go offshore."

These differentials are a stark reflection of the respective strengths of the US and Japanese economies. The consensus forecast for the Japanese economic growth this year is a contraction of 0.4 per cent. The US economy is expected to expand 3.1 per cent.

Even though this has been known in the market for some time Japan's terrible fundamentals have not been reflected in the exchange



Eisuke Sakakibara: not for nothing is he known as Mr Yen

rate. This is because investors believed the BoJ, possibly with the US authorities, would intervene to support the yen.

What has caused the recent acceleration in the yen's slide has been a change in perception of BoJ and US Treasury policies. It became apparent last month that a substantial minority of the BoJ's policy-making committee believed Japanese short-term rates, already at a record low of 0.5 per cent, should be cut further. This appeared to suggest the Japanese authorities were relaxed about further depreciation, an attitude apparently confirmed by the lack of intervention in the currency markets this week. The last attempt cost Japan 10 per cent of its exchange reserves and had no lasting impact in changing sentiment.

As for the US, despite official complaints by American officials about Japan's ballooning trade surplus and currency depreciation, it appears that Washington is quite relaxed about the yen's decline.

An unsourced article last month in US News and World Report magazine suggested Robert Rubin, the US treasury secretary, was willing to let the Japanese yen plunge, if that was the only way of keeping the world's second biggest economy from collapsing.

"Even though the report was denied, it merely stated the obvious," says Mr Bevacqua at Merrill Lynch. "The

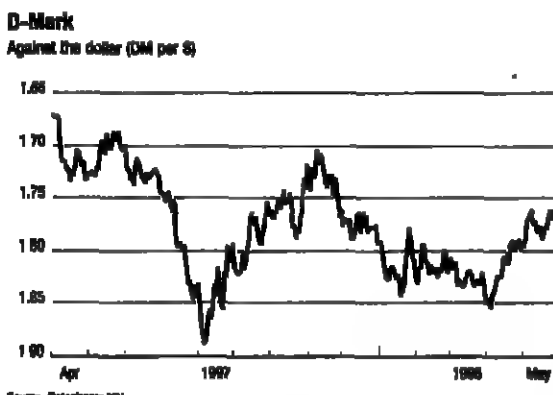
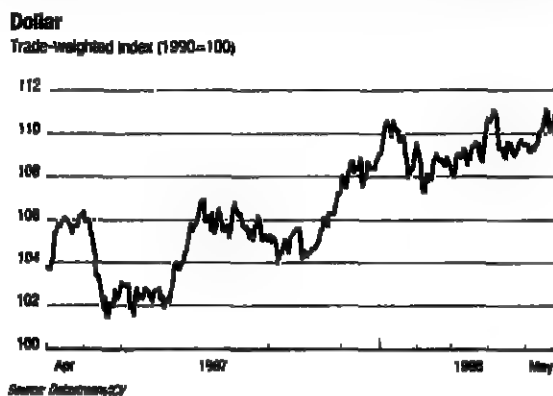
US Treasury views a strong dollar as deflationary, slowing down the economy without the need to raise interest rates. Rubin doesn't want the yen falling off a cliff. If the yen is going to depreciate, then he wants it to decline in an orderly manner," he explains.

Even so, an orderly decline would provide little relief for the rest of Asia.

The yen's continuing fall will only be halted when the economic fundamentals in the US or Japan change, insists Peter Morgan, economist at HSBC in Tokyo. Changes could change regulations, but such reforms are not expected until later this year at the earliest. Otherwise a surprise bail-out of Japan's troubled banking system could prevent higher unemployment and boost domestic demand. The alternative is a significant crash in the US equity markets, an option with worrying global consequences.

"The problem is that everyone is thinking domestically, not globally," says Mr Bevacqua. Helping more imports into Japan would allow the Asian economies to recover quicker, eventually boosting Japanese exports to the region.

There appears little chance that the yen's fall will slow or stop in coming months. As Mr Sakakibara sits in his office he will increasingly be scanning the electronic board for the latest news of his, and the yen's, problems.



No. 1

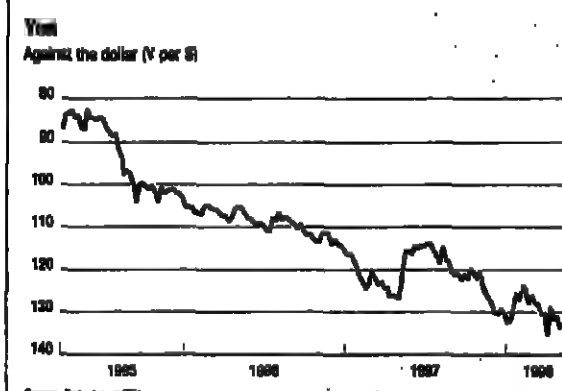
because it's not only about numbers.

We were voted best Foreign Exchange Bank in London by you, not only because of our pricing, but also due to our commitment to client relationships, strategic advice and overall quality of service.

(Source: Euromoney Foreign Exchange Survey May 1998)

HSBC MIDLAND

Issued by Midland Bank plc, which is regulated by SFA.



Old order gives way to the new

Continued from page 1

days. Again, this seems to argue for consolidation, because only large banks can take such a risk.

Yet the slogan "Merge or die" is simply wrong when it comes to foreign exchange. Stefan Gavell, managing director of financial markets at State Street, the US bank, calls the talk of consolidation "potentially naive - just as it was in the 1960s to say that industrial conglomerates were going to be the answer."

The big banks may be getting bigger, but the small ones are getting bigger too. That is simply because their customers - medium-sized companies, in particular - require far more foreign exchange than they did a few years ago. Even Newcastle United Football Club now talks about hedging against currency risk. Also, the rise of the electronic brokers means that even small banks can discover the best price in the market at the press of a button. The inter-

net has made it cheaper and quicker to obtain information. And some of the bigger banks are quietly trying to shed smaller clients. As long as smaller banks do not try to compete for the biggest clients, they can prosper.

The only ones that may have to drop out of the industry are European banks whose domestic currency is about to disappear. Their clients, uniquely, will require less foreign exchange.

Exciting times are ahead. No one knows how volatile and how large a currency the euro will be. No one knows when emerging markets will be as exciting again as they were last year. No one knows how quickly internet trading will take off - it has yet to do so, partly because banks fear they may suffer if they stop chatting to clients over the phone every day. The questions abound. The one forecast that does seem safe to make is that a lot of banks will be around to find out what happens.



FOREIGN EXCHANGE

- 24 hour spot, forwards and options
- Phone and/or Internet trading
- Live FX market commentary on Internet
- Technical and fundamental research
- Hedging strategies/trading

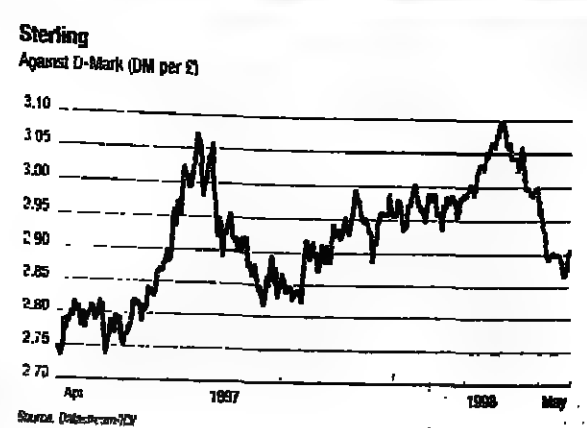
www.gni.co.uk

London +44 171 861 7171 Geneva +41 22 317 7400 e-mail: fx@gni.co.uk

This advertisement has been approved and issued by GNI Limited which is regulated by SFA. Some of the services described above may not be available to inexperienced investors.

هكذا من الاصل

صكنا من الالاحل



STERLING • by Richard Adams

Soaring £ poses dilemma

Keeping sterling stable against the euro will require important policy decisions

The pound's advance over the past 18 months has been remarkable and unpredictable. Few foreign exchange analysts correctly forecast the currency's appreciation in that time - 28 per cent against the D-Mark in nominal terms, and 30 per cent in real terms against a trade-weighted basket of currencies.

But sterling's ability to soar on the international markets opens a serious question for the UK's government: how to handle sterling in the remaining years between now and its expected entry into the European single currency.

The government's stated position is in favour of joining European economic and monetary union in principle. But it said last November that sterling's participation will depend upon a series of economics "tests". Until a decision is made and a successful referendum vote held - which could be as little as four years away - the government still faces the prospect of meeting the Maastricht treaty's criteria for entry. In particular, the question of meeting the criteria for exchange rate stability remains to be addressed.

The treaty's protocol on ERM membership requires that any applicant "has respected the normal fluctuation margins provided for by the exchange rate mechanism of the European Monetary System without severe tensions for at least the two years before the examination, without devaluing against the currency of any other member state".

But the ERM, as it currently stands, will formally cease to exist at the start of next year when the euro comes into being. Its successor - dubbed ERM2 - is not mentioned in the treaty and so is not part of the European Union's binding constitutional law.

In any case, senior government figures, both in public and private, are vehement that sterling will not join a successor to the ERM. The memory of the damage caused to the Conservative party after sterling's exit from the ERM on "Black Wednesday" in September 1992, is burned into the Labour leadership's psyche.

The Treasury's official position is that sterling does not need to join any formal mechanism, under the treaty. All it need do is observe the treaty's requirement of "normal fluctuation margins" of the ERM for two years before applying for membership.

The ERM now allows fluctuations of up to 15 per cent on either side of a member currency's central rate; when sterling was a member in 1990-92, the fluctuation bands were just 6 per cent.

When Wim Duisenberg, president-elect of the European Central Bank, was asked by the European Parliament how he planned to deal with sterling's candidature for ERM2, he replied: "Does that imply membership of ERM2? I do not yet know". Mr Duisenberg did admit ERM2 membership was voluntary, and not mentioned in the Maastricht treaty.

PROFILE Clifford Smout

Guide for the market maze

Without a guide, it would be next to impossible to find the Bank of England's new head of foreign exchange.

The way to Clifford Smout's office is through darkened, curved corridors and a dealing room of makeshift partitions and low-lying computer cables. Even bank employees would like a map rather than puzzling out the route.

But the puzzle of Mr Smout, who comes to the job when large-scale exchange intervention appears to be a thing of the past, is making sense of the market.

"We are very conscious that it is very important to go out and talk to people to see what the market is saying to us," he says. "We can do that by hearing the stories people have to say, or by analysis."

Mr Smout's tasks are greatly different from those of many of his predecessors. The Bank's foreign exchange activities do not take place within the context of a small local market, as they did 30 years ago. Nor has the Bank been

concerned with keeping the pound at any sort of level at all since the currency left the European exchange rate mechanism in 1992. Much of Mr Smout's role is to administer the foreign exchange holdings of the Treasury and carry out transactions on behalf of a bewildering range of government departments and other central banks.

The new Bank of England Act, which grants the bank operational independence, also allows the Bank to hold reserves of its own. But even though the herculean days of government intervention might be over, Mr Smout still does rather more than just look after the Bank's resources.

"It is a little early to say that we have become just like any other corporate treasurer," he says.

Gaining information about the markets is a central objective, one helped by the 35-strong division's activities on behalf of its clients.

"It's extremely helpful that we have real business to transact," he says. "It's

not a question of having to intervene once every 10 years and everything mothballs till that happens."

Each month, Mr Smout briefs the Bank's monetary policy committee on foreign movements that might be relevant for domestic interest rates. When there is talk that certain funds or investors are active in the market, it is his phone that rings with calls from Bank officials eager to learn more. One area of interest to his department has been the possible relationship between the level of the pound and market beliefs about the euro's likely strength or weakness.

But it is also the job of the bank's forex head to look into other movements that may be of wider importance to the world economy - such as weakness in Asian currencies, for example.

Intelligence about likely trends in world rates is also useful for Mr Smout's own decisions in husbanding the holdings the bank manages - and, he adds, "would of course be relevant if we ended up in something

which was a different exchange regime from what we have at the moment."

Mr Smout's work has changed as the Bank itself has altered, but a further change - the arrival of the European single currency - is beyond the Bank's control, although it has co-operated closely with other EU institutions on the initiative.

He says that the Bank is studying how the government's foreign exchange holdings may be affected by the euro. "We are in close discussions with the Treasury... We are doing quite a lot of thinking about that at the moment."

Mr Smout himself confesses he is still getting used to the job, which he has held since March. His entire career has been at the Bank, which he joined in 1978, after taking an economics degree at Cambridge.

His previous post was as head of policy at the bank's now spun-off banking supervisory division, though his move to foreign exchange was already



Clifford Smout trying to make sense of the forex markets

A birdwatcher, like his predecessor, he remains the disappearance of many rare species from the countryside. But his attitude is a resigned one. Central bankers may have even less influence over the movement of currencies than they do over the extinction of well-loved and beautiful birds.

Daniel Dombey

The advertisement has been approved by Deutsche Bank AG London, regulated by SFA for the conduct of deposit-taking business in the UK. The services described in this advertisement are provided by Deutsche Bank AG or by its subsidiaries and/or affiliates in accordance with appropriate local legislation and regulation.

Global Leadership in Foreign Exchange

- A perfect combination
- Customer focus
 - Innovative approach
 - Global network
 - Quality counterparty
 - Proven leadership
 - Executional excellence

Innovation

- No.1
Multi Option Strategies
Euromoney, May 1998
- No.1
Exotic Options Strategies
Euromoney, May 1997 & 1998

Customer Focus

- Top Tier
All Major Locations
Euromoney, May 1997 & 1998
Corporate Finance, September 1997
- Ranked No.2
Quality of Service and Market Share
Euromoney, May 1998

Research

- No.1
Overall Best Economic Research
Global Investor, November 1997
- No.1
Best Advice and Research on the Euro
Euromoney, May 1998
- No.1
Daily Research
Global Investor, November 1997

Trading

- No.1
Major European Currencies
Corporate Finance, September 1997
- No.1
Forwards EMS Crosses
Global Investor, November 1997
Euromoney, May 1998
- No.1
Vanilla and Exotic Options
Euromoney, May 1998



Foreign Exchange:
One to watch

The Global Markets Division of Deutsche Bank, is a proven leader in the industry. By combining an ability to commit capital with an integrated approach to strategic risk management, our staff of over 2,400 professionals in 38 dealing rooms around the globe help government, investor, corporate and financial institutions worldwide to achieve their desired issuing, hedging and investment objectives.

For further information, please contact:
+44 171 545 2539
or
800 332 8939 (US only)

Deutsche Bank



4 FOREIGN EXCHANGE

THE EURO'S WIDER IMPACT • by Wolfgang Munchau

Rival for dollar's crown

The role the new currency will play in international transactions could surprise

The euro could become an important, and possibly the most important international currency, challenging the dollar as the currency of choice in international financial transactions.

Why that should be so was demonstrated in a recent paper by Richard Portes and Helene Rey, two London-based academic economists. They devised a convenient scheme by which to assess the potential impact of the euro. The scheme divides the world into three blocks: the EU (including all 15 countries), the US and Japan.

At present, the dollar is currency of choice for all bilateral currency transactions. The dollar is currently used in 83 per cent of two-way transactions in the currency market, while the D-Mark is used in only 37 per cent.

The dollar is also the main international vehicle currency: the currency that acts as a medium of exchange between any two third-party currencies. To exchange a Polish zloty into a Thai baht, one would normally buy dollar for zlotys and then sell the dollar for Thai bahts. Even though this exchange involves two transactions, it is cheaper to do it this way because of the relatively low transaction costs of a transaction involving dollars. It is also much cheaper than a direct transaction from zlotys to bahts because the zloty/baht exchange market is too illiquid to allow direct exchanges at reasonable cost.

How will the launch of the euro upset this relationship? Portes and Rey look at three scenarios. Under a low-impact scenario the dollar remains the main vehicle currency for non-US transactions, and the currency of choice in any transaction involving the US.

In that scenario, the euro, being larger than the yen, would only enter into the picture in bilateral exchanges between Europe and Japan. Under this scenario, the euro's overall impact would be limited. It would still be more internationally used than the D-Mark, for example, but it would not challenge the dollar's predominance.

The other two scenarios allow the euro a greater international role. Portes and Rey look at what they call a "big euro" and a "medium euro".

In both of these scenarios the euro will be the currency of choice in transactions involving Europe, while the dollar would remain predominant in US-Japan transactions. They differ in that the euro will also assume



European Central Bank: the degree to which it will encourage or discourage outsiders from using the euro is uncertain

the role of international vehicle currency in the big euro scenario.

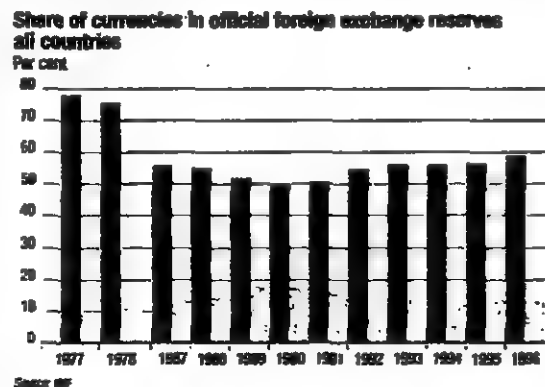
If the big euro scenario prevails the euro would probably challenge, if not replace, the dollar as the world's predominant currency. In the medium-euro scenario the outcome is less certain.

"Which of the big or medium euro scenarios is more likely depends mostly on the degree of symmetry of trade relations between the blocs. From the structure of transaction costs, it is apparent that the less integrated Europe and Asia are... the more the dollar is likely to keep its vehicle currency role," Portes and Rey argue.

The authors believe Emu will be a significant and sudden shock to the interna-

tional financial system. A key consideration is that the transition could occur faster than expected because of the strong degree of global competition and integration of financial markets.

That analysis contrasts

EXCELLENT SERVICE
EXCEPTIONAL RATES

It's quite understandable that businesses like to use tried and tested methods for their foreign exchange requirements. But it's not right that they should accept poor rates and a slow, inflexible service when there is an alternative.

Which is why a growing number of more enlightened companies are now using Travelex.

Of course, you would be right to expect a wide range of FX services:

- International Funds Transfers
- Foreign Currency Drafts
- Foreign Cheque Negotiation
- Forward Contracts

But would you also expect personal service, instant responses on our direct dealing lines, and rates that are consistently lower than anywhere else?

Change your expectations. The next time you're doing business internationally, and you want to save yourself time and money, call us on:

(171) 405 0440 (UK)
(612) 9233 6488 (Australia)
(1800) 225 3433 (US - toll free)

TRAVELEX
FINANCIAL SERVICES



FOREX EDUCATION LIMITED
3rd Floor, Central House,
39-41 Colindale Avenue,
London EC3N 3PD
Tel: 0171 929 3207 Fax: 0171 929 4994
e-mail: forex.education@bt.com
CONTACT: MAXINE MORGAN/CLS

Forex Education Limited has provided training and examinations for practitioners in our financial markets since 1990 when it was set up by ACI Ltd (formerly Fort Associates Limited). We produce the "ACI Diploma", "Introduction to Foreign Exchange and Money Markets" and "Bank Office Operations" examinations. Anyone who requires knowledge of the dealing function in order to be more effective in their work will benefit from the examinations. Our examinations have been taken in over forty countries and they remain the standard for our markets. Please call for an information pack and syllabus. No membership required.

TREND ANALYSIS LTD

Europe's premiere foreign exchange research firm
Tel: +44 1424 775165 Fax: +44 1424 774087
Internet: <http://www.trend-analysis.com/>
est. 1987 SFA regulated Free trial available

Treasury investments at CREDIT SUISSE PRIVATE BANKING, London offers sophisticated private investors advisory and discretionary management in the FOREX market. We provide expert coverage, technical analysis, regular market updates and competitive spreads.

Contact Craig Lewis on 0171 888 8469/8490

CREDIT SUISSE PRIVATE BANKING

Credit Suisse Private Banking (UK) is a division of Credit Suisse Private Banking (UK) which is regulated in the UK by the Financial Services Authority (FSA) under the Financial Services and Markets Act 2000.

PROFILE ICI

Risk under the microscope

Shareholders in ICI, Britain's biggest chemicals company, have a former research scientist to thank for the management techniques that reduce the threat to the group's profitability of fluctuations in global currencies.

Presiding over a four-strong team of currency dealers - three in ICI's London head office and one at the company's Swiss headquarters in Zurich - is Chris Vallance, the company's 58-year-old corporate treasurer.

As befits a man who started his ICI career 28 years ago at its research centre at Runcorn in north-west England, Mr Vallance takes a studiously scientific view of the checks and balances he has to institute to prevent currency movements eating into the company's earnings.

Mr Vallance, who did his PhD on the electrolysis of brine, moved into the financial field later in his ICI career, taking over the treasury job two and a half years ago after a spell as finance director of the company's India subsidiary.

Such is the complexity of ICI's business that only 10 per cent of its revenues - now running at about £1bn a year after a series of deals that has seen the company move away from bulk chemicals and towards higher value speciality materials - are paid for in sterling.

Last year the company had bank accounts denominated in 30 different currencies, and dealt regularly with 56 crosses - the exchange dealer's term for movements from one financial unit to another.

Currency management automatically overlaps with interest rate policy - essentially how the company manages its long-term debt according to fixed or floating interest rates, sometimes using "caps" - exchange dealer jargon for insurance against rate rises.

On a typical day, Mr Vallance's team executes 30-50 individual deals with banks and other investment

groups to swap money from one currency to another. The intention is to minimise the risk of exchange rate volatility pushing up the cost of the company's loans, or reducing the value of its financial deposits.

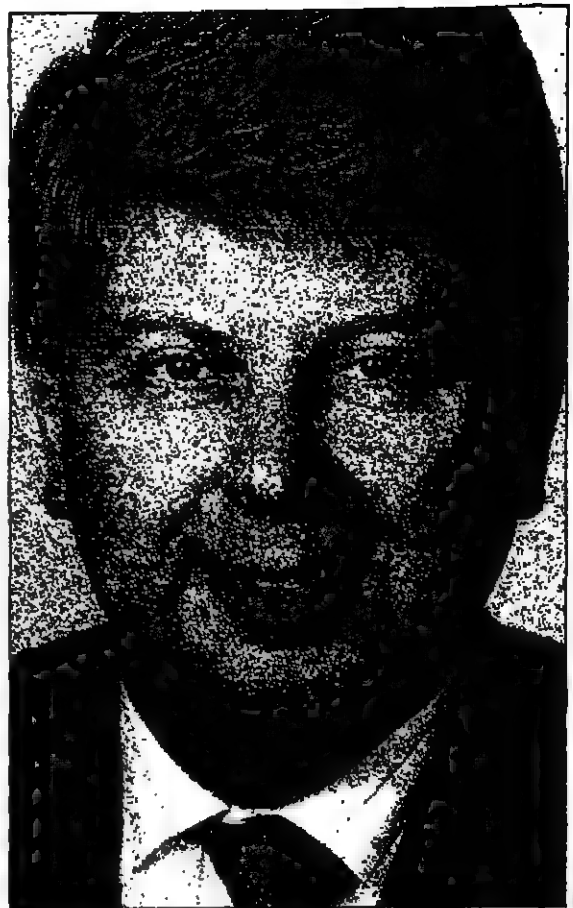
At any one time, the central treasury team is managing a "float" of money in a variety of forms and totalling on average about £1.5bn. This is only a relatively small proportion of the company's total cash flow, much of which comprises money being taken in by subsidiaries around the world and which is never consolidated into a pool of money for active management.

Last year the ICI treasury team was responsible for £18.5bn worth of foreign-exchange transactions, backed up by "hedging" operations involving, for instance, interest rate swaps. To help him monitor the effect of these operations, Mr Vallance has a computerised "benchmark" which sets out an idealised path for how the costs of servicing debt are likely to vary according to currency movements and changes in interest rates.

"This helps to keep us on track," he says. "If you are close enough to the [financial] market, you should be able to follow enough one-way bets [in terms of swapping one currency for another] to ensure you have a smooth ride." Central to the job is the philosophy at ICI that the treasurer's role is defensive, built around risk management. It is not aimed at increasing profits by speculating on potential currency movements.

"We have a very clear policy of what we are trying to achieve, backed up by rigorous controls to minimise risk," says the treasurer.

There are three main aspects to the company's exchange-rate management: one involves the exposure to "translation" risk, in which the company knows it is going to receive money at some point in the future in a specific currency and



Chris Vallance: scientific view of currency movements

has to protect itself against a potential fall in value.

Then there is "translation" exposure in which ICI has to consider the effects of translating such payments as dividend hand-outs from one currency to another.

Third is management of "economic" exposure, when, for instance, the company has to think how best to arrange the transfer of specific funds due to be paid out at set times in the future, such as for a plant reconstruction programme.

Will Mr Vallance's job be made simpler by the advent of the euro? He is not sure. When the currency is introduced next January and customers and suppliers around Europe start using it, it will be one more currency used in an individual ICI bank account.

Until 2002, when the European national currencies being subsumed

within the euro disappear for good, all will continue to require their own ICI accounts. "The amount of [exchange rate] crosses we deal with in Europe will inevitably fall, but then new ones will arise because of the need to link [recently unpegged] Asian currencies with the dollar," he says.

Individual ICI businesses will be free to use the euro as little or as often as they like, partly depending on customer preferences. It will be factors such as these that influence to what degree the euro is used within ICI, says Mr Vallance, rather than any centrally determined policy. "The treasury function is to provide a technical platform to support whatever are the commercial realities of the ICI businesses," he says.

Peter Marsh

NETTING • by George Graham

Banks settle down to action

Elimination of settlement risk must wait until the new CLS Bank is up and running

In March 1996, central bankers from the Group of 10 leading industrial nations set the commercial banks under their supervision a two-year deadline to come up with ways of dealing with foreign exchange settlement risk.

That deadline has now expired, and although the central bankers have yet to deliver their formal verdict, so much has changed in the world of foreign exchange netting that private sector bankers believe they can fairly claim to have met the challenge.

Multilateral netting of foreign exchange settlements has finally started to take off after the merger of the two principal competing systems, Echo and Multinet, meant that banks no longer had a good reason to sit on the fence while they waited to see which system became dominant. The netting systems have been taken over by a consortium of international banks, CLS Services, which is now working on the ultimate solution to the problem: the creation of a bank, CLS Bank, which will carry out continuous linked settlements of foreign exchange transactions, so that one bank's money can only be paid over simultaneously with its counterparty's payment.

Both CLS and senior central bankers emphasise that the CLS Bank will not replace the other solutions to foreign settlement risk, especially as it is likely to be limited to eight currencies and to the very largest banks. CLS can be used to settle the netted balances produced by Echo or by bilateral netting services such as FXNet, and these may be more economical for smaller traders.

A group of banks in London and New York is also working on the idea of contracts for differences, originally championed by Dennis Oakley of Chase Manhattan,

The idea, which is being watched with great interest by the New York Federal Reserve, involves trading an FX derivative instead of cash. A bank would pay out only the difference between its contract and an accepted benchmark, not the full principal amount, thus reducing the settlement exposures.

Discussions are under way with the British Bankers' Association, which produces the widely accepted Libor interest rate benchmarks, but bankers accept that constructing a reliable spot exchange rate will be difficult.

Perhaps more important than any of these, however, is the increased attention banks have paid to their internal procedures, which has resulted in much better awareness of and control over their settlement risks.

Foreign exchange settlement risk has preyed on the minds of central bankers since 1974, when the collapse of Bankhaus Herstatt, a small German bank actively involved in the foreign exchange market, highlighted how exposed banks are to their trading counterparties. Herstatt failed after it had been credited with D-Marks paid over by its counterparties in the German payments system, but before New York's Chaps payments system had opened to enable it to make the corresponding dollar credits.

Because volumes in the foreign exchange market are so large - the Bank for International Settlements estimated turnover at \$1.3trn a day in 1995, and volumes have almost certainly grown since then - a settlement failure could swamp even the strongest of banks. The Alsopp report, which set the original two-year deadline in 1996, noted that several banks said they routinely traded more than \$1m in a day with a single counterparty, and because of time lags in the settlement process their actual exposure could easily be three days worth of trading.

Central bankers believe Herstatt risk is alive and well, and surfaced again in the collapse of Drexel Burn-

ham Lambert in 1990, when BCCI failed in July 1991, during the attempted Soviet coup a month later, and in the failure of Baring Brothers in 1995.

But while private sector bankers acknowledge that settlement risk exists, they have until recently considered it too remote to justify any considerable expenditure.

The first efforts to tackle foreign exchange settlement risk, pioneered by Peter Borker and FXNet, involved bilateral netting. Instead of paying each other the gross amounts they had traded during the day, two banks would tot up these sums and settle only the net balance outstanding in each currency.

Multilateral netting came later, with Echo starting operations in 1996. Again, banks offset their gross trades, but they settle the net balance they owe to the group of banks belonging to the system, and are assured of payment in return even if their individual counterparty should fail.

The potential risk reduction depends on how many of your counterparties also belong to the system, so the merger of Echo and Multinet has improved the benefits available. Echo now has 63 banks involved, with recent letters of intent from several banks which had previously held back, such as Bank of America, Citibank and NetWest.

Bilateral netting can reduce settlement risk by 50 per cent, and multilateral netting by up to 90 per cent. But elimination of settlement risk will have to wait until the CLS Bank, now

being built for the consortium by IBM, is up and running, probably in 2001.

Members of CLS Bank, which will have to have at least \$200 of capital and a credit rating of A- or better, will have to hold a net positive value in their account with the bank at all times, though they will be able to overdraw, within limits, in individual currencies. CLS Bank will start to run through the list of payments submitted by member banks at 7am central European time - when Japanese banks will still be working and US banks will just have opened their payments operations - matching as many payments as it can, within each bank's limits, and will then run through the cycle as often as necessary.

Typically, 90 per cent of transactions will be completed in the first hour, and 95 per cent in two hours, but banks may have to top up their accounts in particular currencies over the course of the day. The system has had to be designed to minimise the amount of liquidity it will suck out of national payments systems.

If one bank fails and cannot meet its obligations, its counterparty will not get bailed out by a central fund, but will have the assurance that its own payment will not be made.

"We haven't taken all risk out of the system. There is still replacement risk, forward risk, liquidity risk. What we have protected against is catastrophic failure, and that is what the central banks are concerned about," said Larry Recknagel, chief executive of CLS Services.

MACHLIN
SPECIALIST FOREIGN EXCHANGE SERVICES

Forecasts and solutions for small corporates

www.machlin.com

Tel: 44(0)1892 723734 Fax: 44(0)1892 722916

Email: sales@machlin.com

SFA Regulated

6 FOREIGN EXCHANGE

TECHNOLOGY • by Simon Kuper

Information on the button

In tomorrow's world financial instruments will be traded electronically

A large company wanting to convert a few million dollars into D-Marks will usually telephone about five banks. Each bank salesperson swaps niceties with the client about the weather and the World Cup, and quotes an exchange rate. The company then compares the five rates and decides which to accept.

In the world's most high-tech market, this is a strange way of doing business. It wastes time and money. The average front-office employee in foreign exchange at a large bank consumes \$300,000 a year in salary and running costs, yet many of these people do

"The internet is still not safe enough or fast enough for institutional use," says Stefan Gavell, managing director of financial markets at State Street in London. However, State Street and other banks have developed capable "Extranets" closed user groups on the internet. The security issues have been solved. Already, any bank can discover the best price in the market at a press of its EBS or Reuters electronic trading machine. But so far the banks have kept this technology from their clients.

Only a few banks have tentatively begun offering clients internet trading. Each bank that has done so has designed its own technology at great expense, making it hard for clients to compare exchange rates from various banks.

Currency Management Corporation, a small company that trades \$2bn-\$4bn for clients a month, seems to have bypassed some of banking giants. John Ersser, sales and marketing director at information internet which designs CM's products, says: "Dealers look at this and say, 'If it takes off, some of us won't have a job.' But he adds: "People thought it would take off quicker than it has done."

Roselyn Wilton, managing director of transaction products at Reuters, says that within five years a client will only have to press a button on a screen to receive exchange rates from all its banks simultaneously. There is talk that the top-10 banks will sit down together and set up such a system. If that happened, every large company would want it.

However, each bank is waiting for its competitors to move first. An electronic screen that only quoted exchange rates from two or three banks would be of little use, as the client would still want to call other banks for rates. A bank would lose out if it only communicated with its clients electronically while rivals spoke to the same clients by telephone. The human voice still exercises charm. As they say in

the market, "a machine can't buy you a beer".

Furthermore, most large banks would hate clients to be able to rank their prices in order. That would inevitably reduce the banks' bid-offer spreads to almost nothing. And if clients could call up a list of prices at the press of a button, they would be less likely to scan through the banks' electronic material that offers advice on derivatives. The banks want to keep these lucrative products under the noses of their clients.

When it comes to giving clients prices electronically, Ms Wilton says: "The biggest banks will be able to hold off the longest." However, she

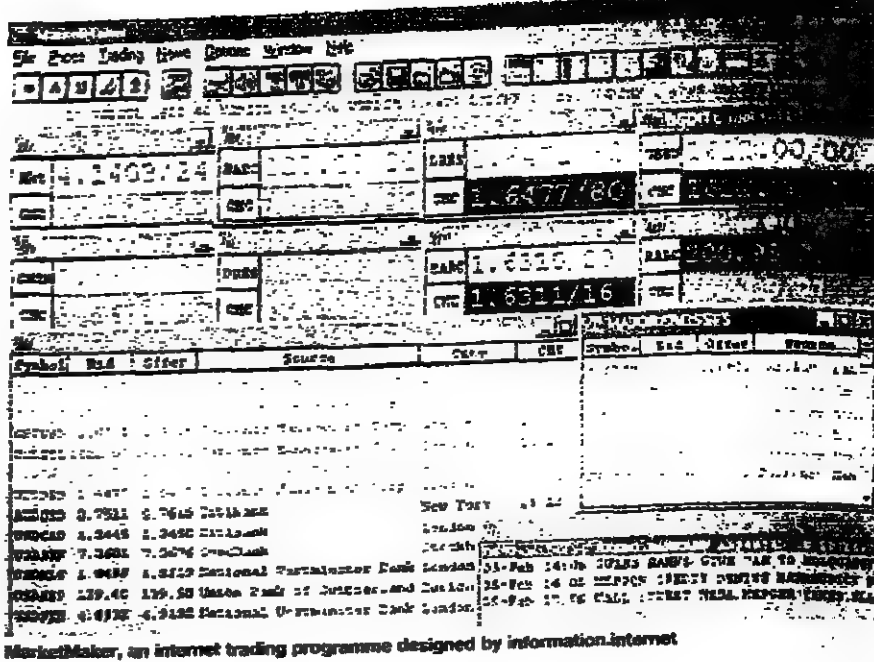
expects that some of the smaller banks will decide that they have less to lose, and will offer prices in the way that clients want them. Then the bigger banks would have to fall into line.

Internet trading will be the most technological revolution in forex. "It is only a matter of time before corporations are able to trade any financial instrument electronically," says Mr Ersser. Mr Gavell goes further: "We see ourselves as a technology company that has licenses to move money."

The only question is how much of the foreign exchange market internet trading can swallow. Even its most enthusiastic sup-

porters, such as Mr Ersser and Ms Wilton, agree that it will be used only for smaller trades. A company converting \$5m or less is likely to want to do so electronically, because the bank will charge it less than it would on a telephone trade. The largest companies may even be willing to execute trades worth up to \$20m electronically.

However, Ms Wilton agrees: "This machine is not going to capture \$100m trades." For deals that big, companies would want to speak to their banks for advice on the best day to trade, whether it is worth taking out a hedge, and simply for psychological reassurance.



MarketMaker, an internet trading programme designed by information internet

EMERGING MARKETS • by Simon Kuper

Fickle friends flee smoky kitchens

Client needs and not speculation are behind the main Asian currency flows

A year ago every bank in the world seemed to be moving into emerging markets. Analysts were watching currencies as unlikely as the Kenyan shilling. The Philippine peso was almost mainstream.

Then the Asian crisis broke, and the currency market was famous for six months: not only did banks make billions from the crisis but they were largely responsible for creating it.

Indonesia, Thailand and even South Korea were, admittedly, living dangerously. They had growing foreign debts, and their trade balances were mostly in deficit, but trouble arrived only when the currency markets took notice after the Thai devaluation in June. Currency analysts, who a week earlier barely knew what the Korean currency was called, were suddenly expatiating on the beliefs of rival politicians. The analysts also spotted a looming problem for

Asian countries: because their debts were mostly payable in dollars, they might have to default if their currencies fell sharply.

Suddenly, everyone was talking about defaults and banks attacked Asian currencies almost indiscriminately. The result was that many countries were, indeed, unable to repay their debts. Not one bank had predicted the Asian crisis and almost everyone agrees that the victim currencies fell much further than their economic fundamentals warranted.

Governments grew angry. Mahathir Mohamad, prime minister of Malaysia, was not the only leader to complain that currency traders were in conspiracy to make poor countries poorer - although he was probably the only one to blame the Jews. China has cracked down on so-called illegal foreign exchange and futures trading. Taiwan, hardly its political brother, has appointed as its central bank governor a man called Peng Fai-nan whose nickname is Speculator Terminator.

What governments objected to was a bank opening a large office in the capital

city of their countries, inviting politicians and local business types to dinner, and then speculating against the local currency.

There have been many calls since the crisis for currency trading to be regulated. Few bank executives expect this to happen but some admit that they cannot openly speculate against currencies of certain countries. One bank executive says that rather than try to make money by attacking the Thai baht during the crisis his bank wanted to be seen to be helping Thailand.

Yet, the Asian crisis has changed the nature of emerging currency markets. Some investors have pulled out and others have grown fearful of holding these currencies for long. "People are now quick to get out when it gets a bit smoky in the kitchen," says Thorold Juncker, managing director of foreign exchange at J.P. Morgan, the US investment bank.

This means that few changes in exchange rates are sustained. Investors have learned that merely holding a diversified basket of emerging market currencies does not protect them from

risk, because the currencies tend to fall together: the Czech devaluation last spring helped set off the Asian crisis.

Furthermore, the Malaysian ringgit and Thai baht, although they still dwarf the volumes in the Russian, Polish and Czech currencies, are less heavily traded than before. For the Indonesian rupiah, the central bank is often the only buyer in the market. There are almost no bond issues from Asia any more, and this has reduced some currency traders in Jakarta and Singapore to flicking elastic bands at each other to pass the time. David Basile, managing director of emerging market risk at Credit Suisse First Boston, says there are fewer trades than before but, he adds, this has raised the margins that banks can charge for executing them.

With Asia quieter, currency speculators have been looking hard for other emerging markets. This has been tricky. Brazilian, Argentine and Mexican stocks and bonds are heavily traded, but most of these currencies are pegged and

markets desks have recently thrown themselves into the Polish zloty and the Czech koruna. Both have taken off, thanks to high interest rates. Poland and the Czech Republic have warned that their currencies have become overvalued, but investors seeking yield have few other relatively safe places to go.

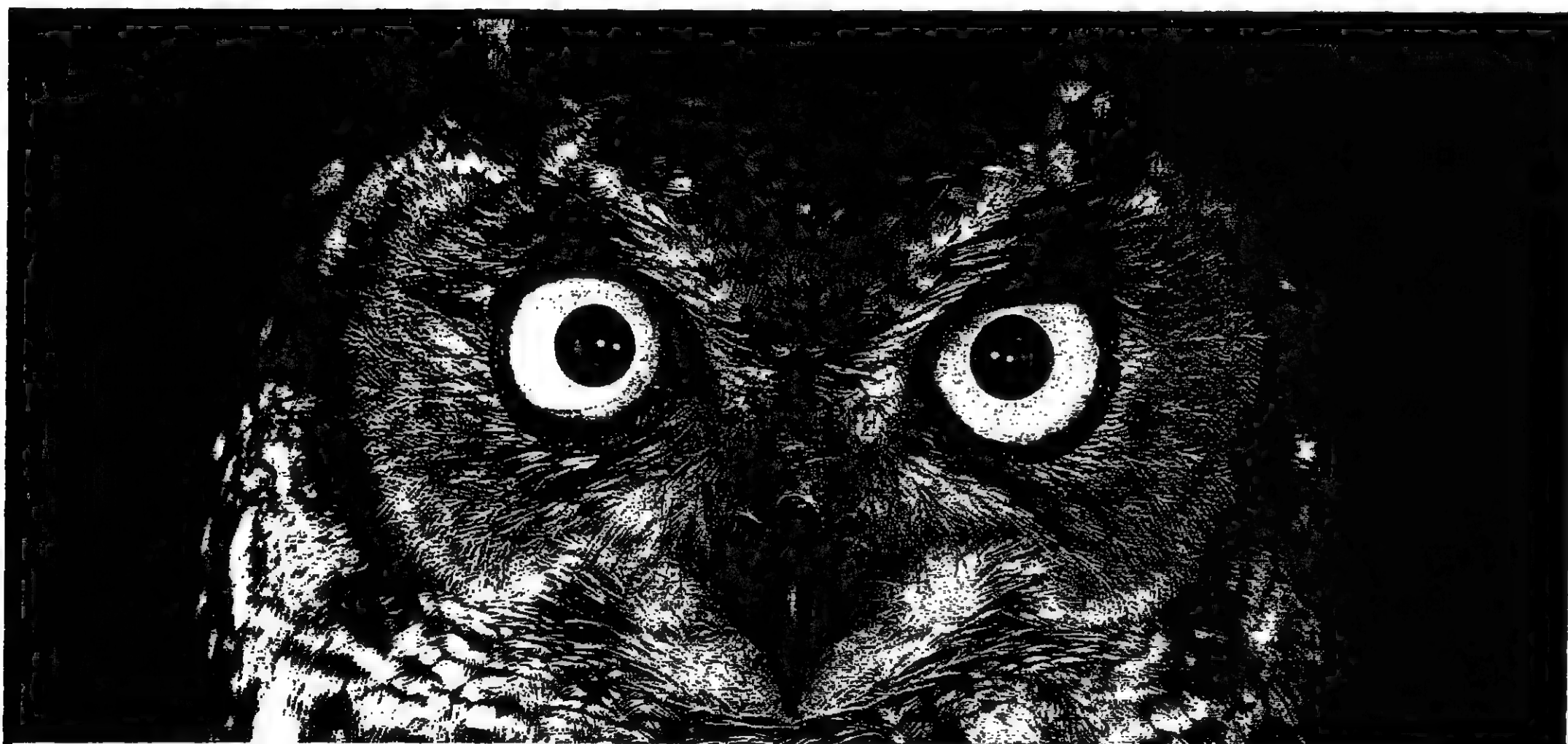
The time will come when they decide that the zloty and the koruna have risen too far and then they will attack these currencies. The Asian crisis of 1998 could take place in Warsaw. However, the zloty and the koruna are too small to make anyone a large fortune.

With little profit to be made simply betting against the currency, the main flows in the market now are those involving "real money" - a multinational company needing Thai baht to pay its workers, or a US pension fund wanting to buy Malaysian stocks. This means that banks have become more reliant on their clients. The banks that do best in future may simply be those with the best client lists. Furthermore, these banks will always have a reason to retain desks in emerging

markets. For it is starting to dawn on banks that not everyone can make money consistently in these markets. Two years ago with European monetary union set to wipe out up to a dozen currencies and trading margins shrinking, emerging markets were seen as the salvation of the industry.

Many banks still believe that but the costs of entry are high. It is hard to predict which way a currency will move unless you have an office in the capital with lines to the central bank, the finance ministry, and local investors. This can hurt the US investment banks, which have fewer desks worldwide than some of the commercial banks.

Emerging markets are still far larger than they were before the crisis. They now produce about 30 per cent of currency revenues for most large banks. However, there is less talk than before of spectacular growth. Fewer banks are setting up desks everywhere. The profits made during the Asian crisis will be hard to repeat. Emerging markets are close to becoming mature, says Mr Basile.



Whenever the subject is investment your attention is a capital factor.

That's why you will surely keep in mind all the benefits the Lisbon Stock Exchange is able to offer:

- one promising worldwide recognised EMU market, with a market capitalisation over 80% of Portuguese GDP
- an efficient, competitive and liquid market
- a complete range of investment alternatives
- modern and diversified information services.

Having a closer look at the figures: in the first two months of 1998, the BVL 30 Index maintained its strong rise (+27.4% on end-1997), the equity turnover almost equalled the amount of the first semester of 1997 and the equity market capitalization increased by 33.6%.

Trust us. Try us. Go further - along with the Lisbon Stock Exchange.



Lisbon Stock Exchange

Edifício de Bolsa - Rua Soares dos Reis - 1000 LISBOA - PORTUGAL - Tel. (351-01) 790 00 00 - Fax. (351-01) 795 20 21 - Internet: <http://www.lisboa.pt> - E-mail: info@lisboa.pt

هكذا من الاصل

RECRUITMENT



RICHARD DONKIN

The low pay syndrome

Women might be to blame for the fact that they are paid less than men

Why do women earn less than men? For years women have characterised their struggle to earn as much as men as a fight against workplace discrimination. But some new research suggests that women may well have to accept some responsibility for pay discrepancies. Put simply, they may value their abilities less than men.

John Jost, an assistant professor of organisational behaviour at Stanford Graduate School of Business, was surprised at the strength of the phenomenon when he carried out an experiment on 132 Yale University students - 64 women and 68 men. He asked them to write an essay on computer shopping and then asked them how much the author of such an article might expect to be paid.

The quality of the work was indistinguishable on the basis of gender but, on average, the women paid themselves 18 per cent less than the men. Mr Jost concludes, therefore, that women think they are worth less.

The women, he says, were displaying a "depressed sense of entitlement". There are several explanations for this. One of these is that women use their own low pay as a standard. Second, women tend to compare their pay with that of other women and not men.

A third possibility is that women and men have different values. There has to be something in this. You only had to sit through the film *Titanic* to notice that women were embroiled in the love story while men were marvelling at the size of the propellers.

A fourth possibility, says Mr Jost, is that women may believe that their contributions are not as great as those of men. The thinking behind this is that people use stereotypes and social judgments to explain and justify inequalities of status, power and wealth. The idea is that we not only accept status differences in society but that we also find ways of rationalising our place in the social hierarchy as a way of coping.

Mr Jost's work challenges

conventional assumptions about ethnocentrism - that a social group justifies itself by favouring its own members and discriminating against other groups. He has found that groups that are low in social status do not favour each other but look favourably on people in high-status groups, judging them to be more hardworking and more intelligent.

This may explain Robert Tresselt's observations of the uncomplaining decorators of Mugsborough in his book, *The Ragged Trousers Philanthropists*. They give their labour generously to make money for others. Making wealth themselves, they believe, is "not for the likes of us".

But status assumptions are not a static phenomenon. People need only be fed the idea that they are inferior to downgrade themselves. Mr Jost noticed this when he gave the University of Maryland some information that suggested that University of Virginia students were more economically successful. Purely on the basis of the data, the Maryland students came to believe they were

inferior to those in Virginia.

Such behaviour may account for the way that successful sports teams are often able to maintain their superiority over opponents who can sometimes appear defeated before they step on to the field. It may also explain why certain jobs towards which women gravitate are not highly paid. "Although the new earnings survey shows us that women are paid less than men on average, it does not compare jobs like with like. In some areas, such as teaching, there has been almost a feminisation of professions," says Alastair Hatchett of Incomes Data Services, the pay research consultants.

Whether these findings will help promote the cause of women in management remains to be seen. They would suggest that a greater proportion of women bosses could have a restraining effect on fat-cat salaries. Anything to remove the male obsession with pay and status would be welcome.

"An Experimental Replication of the Depressed-Entitlement Effect Among Women, John T. Jost, Psychology of Women Quarterly, Vol. 21."

Casual dress codes

The US-inspired corporate policies that allow employees to wear casual dress on certain days may have reached their zenith in the UK. Kathy Scholfield,

director of human resources at HFC Bank, a subsidiary of Household International, the Chicago-based finance company, said that against her advice her company had introduced a casual dress policy.

The policy, she told delegates last week at the Human Resources Forum held by Richmond Events on the P&O Cruise liner.

Arcadia, allowed "business casual" dress on all days except the last day of the month, when people could adopt what she called "casual casual" dress. The problem was that people were uncertain as to what was business casual and what was very casual so Ms Scholfield issued an explanation to employees that business casual meant that shirts needed to have collars. Employees were also warned that on casual days they could be sent home if they arrived at work looking too casual. "It generates more discussion than the company car plan," she said.

Earlier Shaun Holliday, managing director of Guinness Ireland Group, had inspired the delegates with a prediction that the human resource director would in future be the most important figure at the board table. So important, in fact, that chief executives would assume much of the role because not enough people of the right calibre were emerging from personnel management.

As one of the delegates remarked from the floor,

how can human resource professionals aspire to what Mr Holliday called "a higher purpose" when they find themselves mediating over such juvenile policies as dress codes? If individuals were assessed on their performance instead of what they chose to wear at work, companies might achieve a greater level of mutual respect among employees.

Cruise conferences appear to be gaining in popularity, with one now planned for human resource professionals on the QE2 sailing from New York. Exhibitors at the conferences find them a cost-effective way of meeting clients. One exhibitor said: "I estimate that each meeting I have had has cost me £30 (£540). It would cost much more in the normal course of events and I can meet many more people than would be possible normally in the time available. If I got four pieces of business from the event, I break even. Five, and I make a profit."

In an effort to promote a businesslike atmosphere, delegates are almost driven from session to session and casual dress is discouraged. Nevertheless it can be difficult to regard the winning and dining that goes on as work. As John Lloyd, national education and development officer of the AEU engineering union put it: "I love these conferences. I really do. It certainly beats working."

richard.donkin@FT.com



WORKING BRIEFS

German managers command highest salaries

Salaries for senior managers across Europe continue to vary significantly in spite of moves towards a single currency, according to new research by ECA International, consultants on international human resources.

German managers still command the highest average gross salaries - around £60,000 (\$98,400) - while those in Finland have the lowest. The UK average gross is £50,000. Netted down, however, there is far less disparity, and high gross pay does not always deliver strong buying power. The high packages earned by Scandinavian managers deliver the poorest buying power when taxation, social security and living costs are taken into account.

Emily Tuite tel: +44 171 351 5000

Skills and talent

Mapping the skills and behaviour of a workforce can allow companies to focus their recruitment efforts on attracting skills they perceive to be missing, said Neil Thompson, assistant director of SHL, the management

consultancy and psychometric test publisher, at this week's annual recruitment conference of the Institute of Personnel and Development in London.

Identifying the different competences among staff in a business could be a nine-month project, he said. But once a model was in place, it could be used for recruitment, performance assessment and succession planning. The idea is that such frameworks help businesses find the talent and skills they are likely to need in the next few years.

Possessing the right skills is more important than experience, according to a report by Angela Baron, a policy adviser at the IPO. Ms Baron says that companies tended to use experience as a barrier to entry when there was no shortage of candidates. An IPO survey of recruitment intentions among 284 companies found that fewer companies than last year were seeking industry-specific experience.

This, she says, reflects a tighter job market. "There is little evidence that job-specific or industry-specific experience is a prerequisite for a successful appointment. An analysis of skills is probably a much better way of determining suitability," she says. The research also found that companies were placing greater emphasis on potential managers with degrees.

BANKING



Outstanding Opportunities in Equity Derivatives Middle Office

Chase Manhattan, a leading US Bank with a presence in over 50 countries, is a dominant player in capital markets. Its strength and expertise in this area spans Foreign Exchange, Emerging Markets, Securities and Derivatives. Chase's commitment to long-term client relationships, innovation and progression is extended into the field of equity derivatives. The business-aligned Middle Office is key to supporting the growth and success of this business in Europe and Asia.

As a result of expansion, Chase is looking to strengthen the Middle Office Project Group which plays a key role in the development and implementation of a wide range of new systems and provides solutions for many business issues in this dynamic and ever changing environment.

Project Manager (EMU & Y2K)

This individual will initially perform a key role in co-ordinating and implementing the Equity Derivatives Middle Office EMU plan, ensuring all systems within the group are EMU/Y2K

compliant according to the market driven deadlines. Following the successful implementation of the Equity Derivatives EMU plans, the incumbent will assume responsibility for additional strategic systems implementation within the group. It is imperative that the Project Manager has an understanding of the dependencies of the project cycle as a whole as well as previous experience of similar projects.

Project Analyst (EMU & Y2K)

The Project Analyst will work on a variety of key projects to include EMU and Y2K implementation. The role will involve the development and execution of user acceptance testing for all systems and feeds within the Middle Office, and close liaison between the users and technology teams.

Two Project Analysts (P/L and accounting system)

These individuals are required to support the implementation of the P&L and accounting aggregation system. Duties will

include defining workflows and procedures, documenting user requirements, designing and implementing user test plans, and managing change requests.

Applicants will ideally have a good understanding of equity derivatives and will be self starters who enjoy working within a deadline driven environment. Candidates are sought from accountants, business analysts and operations staff who display excellent organisational and communication skills.

The remuneration offered is highly competitive for these positions and there are good prospects for further career development within Chase.

Interested applicants should send their CV with covering letter and details of their present remuneration to Helen Highest, Principal, Jonathan Wren Search and Selection, 34 London Wall, London EC2M 5RU. Tel: 0171 588 0828. Fax: 0171 588 0830. E-Mail: helen.highest@jwren.com

Chase. The right relationship is everything™

MARKET RISK

ATTRACTIVE SALARIES PLUS BENEFITS PACKAGES/LONDON

Exceptional opportunities to join a prestigious, established team of specialists providing risk management expertise across a diverse product range.

THE POSITIONS

- Identify, analyse and quantify risk management methodology and internal controls.
- Undertake critical project work to develop new ideas and identify leading-edge techniques of traded risk management and internal control.
- High-profile roles. Gain exposure to most senior levels.
- Conduct thorough analysis to support risk management process.

QUALIFICATIONS

- Highly numerate graduate. Possibly ACA, MBA or PhD. Two to six years' experience within trading or risk management environment.
- Thorough understanding of derivative products and markets. Alternatively internal audit experience of derivatives.
- Familiar with how risk can be modelled, measured and controlled, eg VaR. Rigorous analytical and PC skills.
- Credible, confident, accountable and persuasive team player. Sound judgement. Accomplished communicator.

SAINTY HIRD
&
PARTNERS



Please send a full cv and current salary details, quoting reference 980601, to Anna White, SHIP Associates, Aldermey House, 10-15 Queen Street, London EC4N 1TX. Tel: 0171 815 8888. Fax: 0171 815 8800. E-mail: ship@ship.co.uk

Major European Investment Bank

STRATEGIC & BUSINESS ADVISOR

EXCELLENT PACKAGE/CITY

Leading European bank with one of the world's most extensive banking networks offering an exceptional scope of services.

THE POSITION

- Key member of small, integral team within the Equity Group focusing upon activities across Europe, Middle East and Africa.
- High-profile role, using your in-depth knowledge of strategic and financial analysis to lead projects, advise management and drive major initiatives.
- Work with senior executives. Provide expertise in areas of project development, strategy design, acquisitions, business planning and research.

QUALIFICATIONS

- Impressive academic record, likely to include a chartered accountancy, legal or other business qualification. Three to five years' relevant experience.
- Outstanding record of success. Well developed analytical skills. Sound commercial judgement combined with the ability to seek innovative solutions and to drive through implementation.
- Exceptional communication skills. Ability to work with and influence senior management. Detail focused. Team player.

SAINTY HIRD
&
PARTNERS



Please send a full cv and current salary details, quoting reference 980620, to Simon Hasky, SHIP Associates, Aldermey House, 10-15 Queen Street, London EC4N 1TX. Tel: 0171 815 8888. Fax: 0171 815 8800. E-mail: ship@ship.co.uk

Appointments Advertising

appears in the UK edition every Monday, Wednesday & Thursday
and in the International edition every Friday.
For further information please call: Karl Loynton on +44 0171 873 3694

Global Business Project Management

Major Strategic Corporate Data Initiative

London based

Credit Suisse First Boston is a leading global corporate and investment banking firm which is active in every major financial centre and international market. It has built up an enviable reputation for innovation and creativity as well as an impressive track record of significant growth and profitability.

To further facilitate globalisation and in line with an increased focus on control, a major strategic project has been initiated to develop a corporate datawarehouse which will pull together a single up-to-date view of Credit Suisse First Boston's entire trading business worldwide. The datawarehouse will provide the central source of data for managing the business at regional and global levels, and drive all financial/regulatory, credit and market risk reporting. Ultimately it will form the core of a new strategic architecture for all Credit Suisse First Boston's transaction-processing and reporting systems.

In order to ensure that the business benefits are fully realised, five high calibre individuals are required to manage the major workstreams of the project, reporting directly to the overall Programme Director and working hand-in-hand with the IT specialists responsible for building the technology components of the datawarehouse. These are high profile roles within a global strategic project which has direct sponsorship at the highest levels within Credit Suisse First Boston.

Business Project Managers

These roles require strong project management skills and relevant business experience combined with a good awareness of technology and data issues. You will be a team player and a good people-manager who can offer innovative solutions to global issues and manage negotiations between potentially conflicting demands of different user departments. You will have real product experience gained within the product control, credit, market risk or operations area of a major global investment bank.

Programme Office Manager

You will have a deep understanding of project planning and budgeting processes and tools, strong people management skills and the ability to manage third party relationships, possibly gained in a consultancy services organisation.

Successful candidates for all roles will possess the credibility to operate effectively across all levels of seniority. Energy, creativity and a positive attitude are pre-requisites for success. If you have the necessary attributes to succeed in this highly visible and challenging environment, please send your CV to James Nicholson at Michael Page City, 50 Cannon Street, London EC4N 6JJ quoting reference 424593. Telephone 0171 269 1908, fax 0171 329 2974, e-mail: jamesnicholson@michaelpage.com

**CREDIT
SUISSE**

**FIRST
BOSTON**

LLOYD'S

Covering the World

Career Opportunities for Professionals

Lloyd's role at the Centre of the London and world insurance market has never been more important, spearheading change and growth into the next millennium. As a result the profile of the Regulatory Division at Lloyd's has increased significantly. The Division's overall objective is for Lloyd's to be amongst the best regulated markets in the City of London. To meet its responsibilities, the Division is organised into five key functional groups: Policy, Authorisation, Monitoring, Enforcement and Regulatory Proceedings.

Regulatory Division

Several opportunities currently exist across the Regulatory Division, at a number of levels.

The nature of the work depends very much upon which functional group successful candidates will join. The work could include responsibility for:

- Formulating regulatory policy for consideration by the Lloyd's Regulatory Board and its sub-committees, taking into consideration changes to the Lloyd's marketplace, financial regulations and, increasingly, changes in European legislation.
- Ongoing monitoring through on-site visits of approximately 80 underwriting agents and 150 Lloyd's syndicates currently active in the market.
- Ensuring firms and individuals applying for authorisation and registration are subject to a thorough process of examination before being allowed to conduct business at Lloyd's.

- Investigating allegations of misconduct and regulatory breaches by undertaking in-depth reviews. Investigation work includes preventing potential problems before they occur as well as reacting to allegations.

The positions require team players who have developed interpersonal skills. A working knowledge of underwriting agents, syndicates and classes of business written at Lloyd's is not essential as full training will be provided. The positions will appeal to candidates who are looking for a new challenge and the chance to work in a dynamic, changing environment. Remuneration packages will be commensurate with the skills and experience of successful candidates.

If you believe you can meet the challenge on offer, please send a full CV to Jim Richardson, ACA at Michael Page City, 50 Cannon Street, London EC4N 6JJ or contact him on 0171 269 1888, fax 0171 329 2986, quoting reference 424713, e-mail: jimrichardson@michaelpage.com

Michael Page
CITY

London • New York • Paris • Amsterdam • Frankfurt • Milan • Madrid • Hong Kong • Singapore • Sydney

BROADVIEW ASSOCIATES Technology M&A Specialists

London

£ Excellent

Broadview Associates is a leading international M&A investment bank serving the IT, communications and media industries. The firm focuses on advising companies on mergers and acquisitions, restructurings and financings. Through a global network of nearly 200 employees, Broadview assists clients in evaluating available strategic options, defining key business issues related to value, and expertly executing transactions.

Broadview is the largest M&A investment bank specialising in hardware products, software products and services, telecommunications services, media and information services and supporting products and services. Broadview's emphasis is on understanding the technologies and the cultures of companies operating within these sectors.

Broadview's ability to bring substantial value to the merger and acquisition process, and uncompromised commitment to client service are key to its pre-eminence among investment banks.

Due to its continued success and growth, Broadview is looking to recruit additional Associates.

Successful candidates will demonstrate the following:

- Familiarity with the technology sector or a genuine interest in working with technology companies, combined with 3-5 years of M&A or consulting experience.
- Strong analytical and financial skills to complement industry knowledge.
- Excellent written and verbal skills and demonstrated ability to build long-term client relationships.
- Fluency in English and Spanish, Swedish, Italian, French or German.

For an initial discussion regarding this role, telephone Annabel Haywood or Arabella Pack on 0171 269 1882. Alternatively, write to them enclosing a full CV, at Michael Page City, 50 Cannon Street, London EC4N 6JJ, fax 0171 329 2986. Reference 422148. e-mail: annabelhaywood@michaelpage.com

Michael Page
CITY

London • New York • Paris • Amsterdam • Frankfurt • Milan • Madrid • Hong Kong • Singapore • Sydney

Leading Italian Investment Bank

Milan

Providing comprehensive financial advisory, capital raising, sales and trading and financial products for users and suppliers of capital across the world, our client offers outstanding career opportunities to highly talented junior professionals.

The following two positions now exist:

- Fixed Income and Derivatives Junior Salesperson.** Ref GA 9896
- Junior Transactor in Debt Capital Markets for Origination/Structuring.** Ref GA 9897

Candidates will be graduates with relevant industry experience or from strategic consulting firms, with 1-2 years recent, hands-on experience.

All applicants should exhibit strong interpersonal skills, academic excellence, commercial acumen, an entrepreneurial spirit and a flexible approach to working hours. Fluency in a European language in addition to English would be an advantage.

Successful candidates will join a meritocratic, results oriented environment committed to training, individual development and long term career planning.

The positions are located in Milan.

Interested applicants should send their CV including current salary details, to Gianpaolo Alfano, Michael Page International, Via Menavigli 3, 20123, Milan, fax 00 392 720 151 67, quoting the relevant reference number.

Michael Page
INTERNATIONAL

Australia • China • France • Germany • Hong Kong • Italy • Netherlands • New Zealand • Singapore • Spain • UK • USA

Bankers Trust
Architects of Value

Credit Risk Management Associates

London

£ Excellent

BT Alex. Brown International is the trading division of Bankers Trust International PLC, the leading US investment bank. Trading a wide range of equity products throughout the UK and Europe, BT Alex. Brown International provides a full and innovative range of financial services to its ever increasing global client base.

As a result of internal promotions and continued growth, the credit risk team is looking to recruit a number of key individuals.

Working as part of a prestigious team, you will be responsible for the credit risk analysis of the Bank's counterparties on the various Stock Exchanges around the world where Bankers Trust is a member or user. It also provides the opportunity to develop a knowledge of equity products including cash equities and equity derivatives.

Successful candidates will possess 1-3 years experience in credit analysis from a recognised financial institution together

with an outstanding academic track record. They must be team players with a strong personality and the drive and ambition to succeed in a pressured and fast moving environment. European languages and prior equity product experience, although not a pre-requisite, would be advantageous.

This is an exceptional opportunity for highly motivated individuals to develop their careers with a market leader and the competitive salary and benefits package will entirely reflect experience.

Interested candidates should contact Tim Smith on 0171 269 1870 or Claire Wilkinson on 0171 269 1873 for an initial discussion. Alternatively, forward an up-to-date CV, including your current compensation details to Michael Page City, 50 Cannon Street, London EC4N 6JJ. Fax 0171 329 2986 or e-mail: clairewilkinson@michaelpage.com. Please quote reference 424979.

Michael Page
CITY

London • New York • Paris • Amsterdam • Frankfurt • Milan • Madrid • Hong Kong • Singapore • Sydney

HSBC Equator Bank plc
Member HSBC Group

Corporate Finance - Africa

HSBC Equator Bank plc (HSBC Equator) is a part of the HSBC Group, one of the world's largest banking and financial service organisations with an international network of more than 5,500 offices in 79 countries and territories. HSBC Equator Bank works exclusively in sub-Saharan Africa where it has over 20 years experience.

HSBC Equator's Corporate Finance team helps its African clients to raise debt and equity capital, and provides advice on privatisations, mergers, acquisitions, divestitures and restructurings. HSBC Equator's Corporate Finance team is looking to recruit an outstanding professional to work on a diverse range of transactions throughout Africa. The position is London-based with regular travel to Africa.

This is an excellent opportunity for a candidate who has corporate finance experience and wishes to progress his/her career.

The ideal candidate should have the following profile:

- 24 years Corporate Finance or related analytical work
- French language (Mother tongue required)
- English language (fluency - written and spoken)
- Excellent academic background, Masters Degree in Finance or Business
- Special interest in Africa or developing markets
- Ambition and commitment

The successful candidate can expect early responsibility. The position carries a competitive salary with the prospect of substantial performance-related bonus.

Please write in strict confidence to:
Office Manager, HSBC Equator Bank plc
66 Warwick Square, London SW14 2AL
(No phone calls please)

مكتبة من الامم

CREDIT SUISSE Financial Products

Senior Project Analyst, Derivatives

Credit Suisse Financial Products is one of the world's leading derivative houses. We specialise in providing a range of exotic and structured transactions and risk management products that incorporate innovative design with well controlled trading strategies.

Through continued expansion and as a direct result of the increasing complexity of certain product areas we are looking to recruit a senior derivatives product analyst to manage a range of technical ad-hoc projects, examine new products and provide additional quantitative expertise to support the product analysis function.

RESPONSIBILITIES WILL INCLUDE:

- Review of highly complex OTC structured products across all derivative areas
- Enhancement of existing price testing procedures and identification of price testing requirements in new product areas
- Understanding of the impact of EMU upon derivative valuations and management of the implementation of conversion strategies
- Management of ad-hoc projects, including significant liaison with Front Office and provision of support, as required, to all areas of Product Analysis

THE REQUIREMENTS:

- First class academics coupled with minimum 2-3 years relevant banking experience
- A comprehensive understanding of the OTC Derivatives market
- The ability to articulate an argument from both a conceptual and practical point of view and be self-motivated to tackle projects to their completion whilst adopting sound strategic vision
- Project Management expertise

In return, we can offer an opportunity to be at the cutting edge of the derivatives market and to develop within an extremely dynamic organisation.

Further information can be obtained from Steve Bedford, Morgan McKinley, Wellington House, 225 Strand, London WC2R 0AP Tel: 0171 557 7222 Fax: 0171 836 3456 Email: sbedford@morgan-mckinley.co.uk

HEAD OF PRIMARY TRADING FIXED INCOME AND FX PRODUCTS

JOHANNESBURG

We have been retained by one of the world's leading financial institutions with an international presence in over 45 countries. Their highly successful South African operation - based in Johannesburg - employs over 50 market professionals in Trading, Sales and Research active across the Equity, Fixed Income and FX markets. As part of their strategic expansion plans they now seek an individual to head up their Trading arm.

Working within the existing Johannesburg-based operation, the successful candidate will have responsibility for managing the current team as well as developing all African Primary Derivative, Fixed Income and FX product issued both domestically and through the London office.

The successful candidate will have at least three years' relevant experience with sound managerial experience and thorough knowledge of Fixed Income and FX. Whilst some knowledge of derivatives is preferred,

it is not essential. Proven ability in a trading environment within Developed or Emerging Markets is a prerequisite. A high technical proficiency on yield curve plays is essential, as is the ability to work within allocated limits.

Responsibilities are significant and an ability to perform independently with maturity and confidence will reflect on the overall performance of the group. The successful candidate must demonstrate integrity and professionalism of the highest order.

This will be a key appointment for the Global Emerging Markets Group which continues to expand fulfilling our client's long term objectives.

For an initial confidential discussion, please contact Charles Hamill-Stewart or Richard Lewis at Alexander Mann Group. Alternatively you may write to them at the address below.

ALEXANDER MANN Group

ALEXANDER HOUSE, 9-11 FULWOOD PLACE
LONDON WC1V 6HG
Markets@alexmann.com

Fax: 0171 405 6434

Tel: 0171 242 9000

Corporate Finance Analysts

Leading Global Investment Bank

Our client is one of the world's premier investment banking organisations, noted for its innovative services and market leading positions in product development.

Their London based Corporate Finance Group specialises in equity and debt fund raising, mergers and acquisitions, and strategic advice for emerging technology, media and healthcare companies. Due to its increasing success the Group is expanding and is now looking for financial analysts to join its technology and healthcare teams.

The Group's clients possess high growth potential within these sectors and provide innovative products and services. You will work closely with senior corporate finance professionals, equity analysts and sales teams to provide excellent Corporate Finance services to these clients.

This is a unique opportunity to join an innovative Corporate Finance Group as it is growing and adding to its highly

Competitive Package

successful track record. To take advantage of this opportunity you are likely to be in your mid to late twenties and must have a background in one or more of the following areas:

- commercially orientated Analysts with up to three year's Corporate Finance experience at an investment bank; or
- strategic or management consultants who have experience in corporate finance at a leading consulting firm; or
- strong financial analysts who are currently working within the strategic functions of technology, media or healthcare companies; or
- exceptional, highly numerate graduates with relevant work experience.

You must also be able to demonstrate academic excellence, in a scientific and/or numerate discipline, advanced financial modelling skills and a strong, professional work ethic. Excellent interpersonal skills, self-motivation and maturity are also essential attributes.

Applicants should forward a CV and current remuneration details, in strict confidence, to Simon Hegarty or Guy Townsend at Walker Hamill Executive Selection, quoting reference SH4970.

WALKER HAMILL
210-105 Tottenham Court Road
London W1P 0LP
Tel: 0171 839 4444
Fax: 0171 839 3657

Head of Business Operations

£70,000 to £90,000

Our client is a medium sized commodities trading company with an extensive global network based on strong trading and business development activities. The company is continuing to build an integrated business specialising in structured physical trading. Key to its success will be the role of Head of Business Operations.

Reporting to the Managing Director, you will be responsible for controlling and directing the day-to-day activities for the operations department.

Key responsibilities will include:

- Managing and motivating a team of up to twenty staff who are responsible for controlling the operations/finance activities of the company's trading business.
- Developing and training individuals, restructuring the team to improve existing levels of service and productivity.
- Controlling the processing of all transactions, implementing and reviewing processes when structuring contracts and monitoring them to successful completion ensuring productive pursuit of all claims.

Central London

- Integrating the functioning of the operations department with business development and support functions including the management accounting, finance and risk management departments.
- Ensuring the control and marking to markets of inventory levels.

The ideal candidate will be a Senior Business Manager with extensive operations support experience gained either within the banking, commodities trading or commodities finance sectors. You must be flexible to change and lead by example, constantly reviewing and improving processes and systems. In addition, you will be an accomplished motivator and manager able to train and develop staff to their maximum potential. There is scope to manage other areas of support activity should you have the necessary experience which is reflected in the salary range. In addition, there is opportunity for equity participation in the long-term for an individual who can make a significant contribution.

* To apply, please send your CV with a covering letter, including a current telephone number and current salary details, to Harvey Nash plc, 12 Bishop Street, London W1A 7AR. Tel: 0171 232 0233 Fax: 0171 232 0292. Please quote reference number HNC00187. You may also apply via info: info@hcn.harveynash.co.uk

HARVEY NASH

FINANCE

MORGAN GRENFELL ASSET MANAGEMENT CHIEF OPERATING OFFICER TOKYO

MGAM, with over US\$ 145 billion under management globally, is seeking to appoint a Chief Operating Officer to its Tokyo office. Over US\$ 6 billion is managed in Tokyo for domestic and international clients. The Tokyo office manages mandates on behalf of large Japanese Pension funds, Public bodies and Retail Mutual funds, as well as providing custody services to both internal and external clients. The office has expanded its client base, product range and staffing levels considerably over the last eighteen months and anticipated future growth will provide ongoing operational challenges. You will report to the Chairman of the Management Committee in Tokyo, but will also have a direct reporting line to the Group's Head Office in London.

Key Responsibilities

- To play a key role in the general management of the Tokyo office
- To assume responsibility for all day-to-day operational issues
- To initiate and manage change within the business by assessing its current and future requirements from a systems and process perspective
- To liaise extensively with IT, financial, operations personnel, legal and compliance departments in the UK

Key Attributes

- At least ten years' experience at management level in a financial operations environment, gained ideally in fund management
- A good understanding of information technology and experience of systems development
- A strong, team orientated manager of people, with the energy and ambition to drive the business forward
- A working knowledge of Japanese

You are likely to be at least 40 years of age and a qualified accountant. The remuneration package reflects the level of responsibility which will be vested in the new job holder.

Please reply by contacting Avril Keltet quoting ref: 3311 enclosing both a covering letter and a full curriculum vitae that includes daytime and evening telephone numbers and an indication of current salary. All applications will be treated in the strictest confidence. If you responded to a previous advertisement, your details will already be on our file.

TS Selection, 18 - 20 Bride Lane, London EC4Y 8DX
Tel: 0171 936 3936 Fax: 0171 936 4936 Email: TSselection@tsn.com

Global Private Equity Fund Financial Institutions

Investment banking/private equity specialists for exciting new venture

London

\$200,000 - \$500,000 + Equity Interest

Our client, a leading private investment partnership headquartered in New York, is sponsored by a major financial institution and is in the process of establishing a London office. It is currently raising a new \$1.5 billion private equity fund to focus on the insurance and financial services industries. The senior management team has a superior investment track record and an exceptional reputation in its field.

The newly formed London operation seeks several individuals to work as part of a small, close-knit team. Focusing on the UK, Continental European and Asian marketplaces, they will:

- Identify and analyse investment opportunities in the insurance and financial services sectors, with investments ranging in size from circa \$50 million to \$250 million;
- Support senior management in the completion of complex transactions, including acquisitions, corporate spin-offs, demutualisations, management buy-outs, start-ups and partnerships with acquirers;

provide control and execution support in managing transactions, ensuring an exceptional quality of delivery. Candidates will be graduates, preferably with an MBA or other financial qualification. Experienced in either investment banking, private equity or strategic management consultancy, with a strong financial services industry focus, they will have outstanding analytical, modelling and communication skills. International experience and European languages would be an advantage. Candidates must be highly motivated self-starters, with exceptional energy levels, integrity and a strong team ethic.

This is an outstanding opportunity to join the fund at an early stage in its development, offering the prospect of significant financial rewards, including an equity interest in the fund's investments.

Please send a full CV in confidence to GKRS at the address below, quoting reference number 9805231, on both letter and envelope, and including details of current remuneration.

GKRS

OLD LONDON HOUSE, 32 ST JAMES'S SQUARE, LONDON SW1Y 4JR.
TEL: 0171 930 5100. FAX: 0171 839 1229.
A GKRS Group Company

DIRECTOR GENERAL

JERSEY FINANCIAL SERVICES COMMISSION

JERSEY

SALARY IN EXCESS OF £100,000

- Jersey has an established reputation as a highly respected international finance centre based on a history of financial security and stability. With over £200bn invested it is a leading offshore centre with financial services accounting for over 50% of the island's GDP
- Appropriate legislation, supervision and depositor protection are fundamental to the island's success. This summer a new, independent Financial Services Commission will be formed, taking over from the existing Government Department; a Director General is required to succeed the first incumbent who retires at the end of this year.
- Accountable to the Commissioners, the Director General will perform a high profile public role ensuring proper supervision and regulation of the financial services industry in Jersey, developing and recommending appropriate policy, promoting Jersey as an international financial services centre and managing the Commission's resources.

An experienced financial services industry professional with a proven track record of operating at a senior level in another regulatory body or possibly working on regulatory issues within a major financial institution or professional firm. A legal qualification is desirable although a background in accountancy would also be appropriate.

Outstanding interpersonal skills are essential, with ability to influence at all levels, also comfortable in an international environment. First class communication skills, experience of handling the media, public speaking and networking at a senior level.

This is an outstanding opportunity to build on Jersey's established reputation and to lead the island's development as an international centre of excellence into the next century.

Please apply in writing quoting reference 2822PT with full career and salary details to:
Julie Anderson
Whitehead Selection
11 Hill Street, London W1X 8BB
Tel: 0171 290 2140 Fax: 0171 290 2050
www.whiteheadselection.co.uk

Whitehead SELECTION

A division of Whitehead Mann Ltd.
a Whitehead Mann Group PLC company

Get on track with

UK EQUITY RESEARCH ANALYSTS

Excellent Package

City

Part of the AXA Group, one of the world's largest fund management groups with total funds exceeding £300 billion, AXA Sun Life Investment Management is the UK fund management arm with assets under management of £35.6 billion.

Superior proprietary research is at the core of our investment philosophy and we now seek to expand our team of dedicated UK Equity Analysts. As an important team member, your research conclusions will drive our stock selection.

We are seeking top calibre individuals capable of producing high quality research to sustain and enhance our impressive investment performance. You will almost certainly have at least three years' experience with an investment bank or fund management group and an excellent academic background, possibly MBA or equivalent.

Alternatively you may have a finance qualification and specific industry sector expertise with the ability and potential to make the transition to City Analyst. Whatever your background, you must be committed to the value of research in achieving objectives.

We are offering an excellent package and the benefits and development opportunities of a world class organisation.

Please send CV and salary details, quoting Reference S/IAS/87, to Stephen Vause, Austin Knight, Castlemead, Lower Castle Street, Bristol BS1 3AG. Tel: 0117 922 1891. Fax: 0117 925 3885. Email: s.vause@austinknight.co.uk

We are an equal opportunities employer

AXA Sun Life
INVESTMENT MANAGEMENT

Your Opportunity to Join the Fastest Growing Market

Commodity TradersSucceed With a Dynamic Organization in the Fast Growing Financial Markets for Electric Power
St. Louis, Missouri, USA**AmerenEnergy** is the national trading and marketing subsidiary of Ameren Corporation, a \$8-billion asset energy company based in St. Louis, MO, USA. **AmerenEnergy** trades electricity and natural gas, and offers a wide range of energy-related services and risk management products to select wholesale and retail customers. **AmerenEnergy's** headquarters and state-of-the-art trading floor are located in downtown St. Louis.**The Position**

- > Trade electricity, natural gas and other energy related products
- > Build business in expanding market
- > Regional responsibility, drawing on entrepreneurial skills to create market opportunities for business and personal reward

Qualifications

- > Three to five years experience in futures, financial or physical markets
- > Energy experience desirable
- > Highly motivated, energetic, organized professional, able to flourish in an entrepreneurial culture
- > Superb educational credentials

Please send your CV with current salary details to:
AmerenEnergy, Management Recruiting, PO Box 1111, St. Louis, MO, USA 63108
Alternatively, send by fax on 314.673.9123 or e-mail to Opportunities@AmerenEnergy.com**ITS Intertek Testing Services**

ITS is one of the world's largest international inspection and testing companies with more than 8,000 employees worldwide and with 371 offices in 66 countries. Due to recent major expansion of our services, we are seeking qualified freelance consultants in:

QUALITY ASSURANCE AUDITING

Consultants to be qualified to ISO 9000 and/or QS 9000 auditing techniques varied to the aerospace, automotive, computer, communications, consumer goods, defence, electronics and mechanicals sectors. They need to be fluent in English, both spoken and written.

INSPECTORS AND EXPEDITORS

With minimum 5 years experience on various materials/commodities oriented to the Oil & Gas related industries. 2nd SNT-TC-1A qualification is an advantage.

Please apply in writing together with your CV in English to:

Intertek Italy S.r.l. - Attention Mr T. G. Tim
Via Aldo Moro, 47-20060 Gessate (Milano) - Italy
Fax No. ++39-2-95.38.35.91

Sabre

Sabre Fund Management**Offshore Hedge Funds
Transactions Specialist**

Sabre is a long-established, yet fast-growing fund management company creating hedge fund products for banks and other financial institutions, mostly overseas.

These are normally offshore mutual funds, but sometimes take the form of medium term structured notes. Often investors receive a guarantee of return of capital.

Sabre wishes to add a commercial specialist to its team to manage the creation of these fund vehicles. The successful candidate will have structured offshore funds and will understand credit and compliance issues, as well as banking documentation.

Professional background will probably be the law or banking, but the key skill we seek is the ability to translate the clients' commercial, financial and investment management requirements into a workable and effective structure.

This is a job for a clever, 'can do' type, not a business prevention officer.

Please apply to:

Robin Edwards, Managing Director, at
Sabre Fund Management Ltd.,
Windsor House,
55 St. James's Street,
London SW1A 1LA**EQUITY SALES/TRADING**

GRADUATE LONDON

A rare opportunity has arisen to work for a highly rated Equity Sales and Trading team within the London office of a leading US investment bank.

The successful candidate will start as a Junior Analyst/Sales Support. Responsibilities will include research for the group's daily, weekly and monthly publications which focus on economic, political and corporate events in Western as well as Eastern European markets. This position will eventually develop into a full sales, trading or research analyst role.

For this position we require an individual who is intelligent, hard working, highly motivated and very energetic. Proficiency in Microsoft Word/Excel as well as fluency in the English language are essential. A competitive salary and benefits package is offered. Interested candidates should send their details to:

Lisa Mendoza-Silgado
Bear Stearns International Limited
One Canada Square
London E14 3AD
Fax: 0171 516 4027
Email: lisa.m@bear.com

BEAR STEARNS

**Corporate
Finance Associate**Investment Banking firm seeks corporate finance associate with extensive experience in legal drafting and valuation analysis in life sciences/biotechnology industry. Minimum two years experience. Salary dependent on experience and qualifications. Please send curriculum vitae to:
Box A6172, Financial Times,
One Southwark Bridge,
London SE1 9HL**Appointments
Advertising**appears in the UK edition every
Wednesday & Thursday and in the
International edition every Friday.For information on advertising
in this section please call
Karl Loynton
on 0171 873 3694

Financial Times

**Treasury
professionals**

Excellent
+ Bonus
+ Flexible benefits
+ Share options
Based London



ICO Global Communications is developing mobile communications technology to link anyone, any time, to anywhere on the planet. Using a constellation of state of the art satellites and a fully integrated global ground network, ICO will launch its service in 2000.

The company is recognised as having so much potential that more than 60 leading telecoms and technology companies have invested in excess of \$2.0 billion.

The finance function is responsible for the treasury management of the ICO Group world-wide, and manages the corporate finance and financial risk of the company.

As ICO grows and moves to the next stage of its development at this exciting time, it is looking to recruit two highly motivated treasury professionals to join its small treasury team.

Assistant group treasurer

Reporting to the group treasurer, this is seen as a flexible role for someone with at least three years experience of the international financial markets. You will have responsibility for:

- Global cash management and liquidity
- Assisting in the structuring of complex financial transactions
- Performance measurement of banks
- Negotiating with banks
- Management reporting.

If you believe you can make an immediate contribution within a pioneering organisation, please write (quoting the relevant reference number and enclosing a comprehensive CV and current salary details) to: the Recruitment Manager, The Recruitment Centre, ICO Global Communications, 1 Queen Caroline Street, Hammersmith, London W6 9NN. Fax: 0181 600 0660, email: recruit@ico.com. To find out more about ICO, visit its Website at: <http://www.ico.com>**Global telecommunications**

Given ICO's continuing development, there are expected to be opportunities to become involved in a wide range of projects.

You will have a proven track record working in a multinational and international environment, with experience of cash management and systems, coupled with good negotiating skills.

You will need to have a recognised treasury and/or accounting qualification and knowledge of other languages would be an asset. You will also have good communication skills and the ability to work with small teams often to demanding deadlines. You are likely to be in your early thirties, with experience of managing a small professional team. Ref: J1015

Treasury assistant

Reporting to the treasury manager - investment and funding, you will:

- Maintain cash forecasts
- Update liquidity positions
- Play a significant role in ICO's money market dealing activity, initially managing a large investment portfolio.

You are likely to be in your mid-late twenties with a university degree and be either studying or prepared to study for an appropriate professional qualification.

You will have a good understanding of the international markets, probably gained in an international corporate environment. Ref: J1014

Pan European Private Equity - London

Our client is the private equity division of a leading global investment bank and manages substantial funds for investment throughout Europe in management buyouts, management buy-ins and other leveraged acquisitions.

With its strong track record of investment and realisation, it is preparing to raise a major new pan-European fund for investment in transactions across a range of private equity opportunities. As a result of this development, the group wishes to add a number of professionals to its investment team in London, who will be initially involved in the analysis of investment opportunities as well as generating deal flow, conducting due diligence and negotiating, completing and managing investments.

Suitable candidates will have gained some two to four years' transaction experience in a competitor private equity fund, a structured finance department, an investment bank or the corporate finance department of one of the large accountancy firms. Numeracy, financial analysis skills, computer literacy and the ability to build successful relationships with management teams, vendors and advisers are imperative. Fluency in one or more European languages would be highly desirable.

In the first instance, applicants should send full résumés and details of current remuneration to:

The Bloomsbury Group, 1 Southampton Street,
London, WC2R 0LRTel +44 171 379 1100; Fax +44 171 240 6362,
quoting reference TCPE.THE BLOOMSBURY GROUP
Executive Search**IN-HOUSE COUNSEL****INTERNATIONAL PROPERTY INVESTMENT
AND DEVELOPMENT COMPANY**

Paris

100,000 £ + Bonus + Car + Benefits

To join a 30-strong team investing in large real estate assets located in the principal European countries.

The In-House Counsel will operate in the areas of Continental European and United Kingdom real estate related tax and legal matters, especially in the areas of direct and indirect acquisitions, financing, letting and disposals.

He will have practical hands-on experience of dealing with contentious and litigious situations.

Mid/late-30's. Appropriate linguistic skills: English, French and at least one other European language. Fully conversant with data treatment technology.

The In-House Counsel reports to the Group Managing Directors. He will relate with them on a daily basis and also with in-house and outsourced functions in the areas of real property acquisitions, financing and disposals, and also with the Group's financial asset managers in Luxembourg.

He will interface with the group's outside legal counsel in all matters referred for advice.

Based in Paris, with a requirement to travel throughout Europe.

The applicant will hold a law degree and will have gained at least 5 years experience in an international financial institution, and/or with a multi-national company, and/or with a major international firm of lawyers. Specialised experience in the field of European real estate is essential. Experience of U.S. property and financial law will be an advantage.

Respond with a full CV, in confidence, to:

The International Chairman
HRO GROUP26, avenue Foch - 75116 PARIS
Tel.: 331-45.00.62.62 - Fax: 331-45.00.60.93
E-mail: HRO.Paris@compuserve.com

POWER

FINANCIAL SERVICES

CHEMICAL/OIL AND GAS

CONSUMER PRODUCTS

LONG TERM EQUITY ANALYSIS

Our client is the broking arm of a well known international investment bank. In the Asian equity markets its long term aim is to build a quality research team, creating opportunities for senior individuals with knowledge of the following industries: power, financial services, chemicals/oils and gas, and consumer products. All of these positions will be based in Hong Kong. The firm's approach is different from other brokers, focusing on the development of innovative, commercial ideas designed to meet individual client's needs, rather than the provision of short term maintenance research.

The role:

- Key member of the global securities sector research team.
- Creation of in-depth research ideas.
- Marketing these ideas to leading international institutional investors.
- Development of close working relationships with the global corporate finance industry team.

The successful applicants will:

- Be either an experienced broker keen to work in an environment where your creative skills will be recognised, or a senior executive working in one of the sectors listed and interested in pursuing a career in equity research.
- Have excellent oral and written communication skills.
- Be highly numerate, with a good understanding of accounting practices and financial analysis.
- Have maturity, confidence and the ability to think laterally.

Please send full career details, quoting ref: 2180, to: The Confidential Reply Handling Service, Associates in Advertising (AIA), 5 St John's Lane, London EC1M 4BH.

Applications will only be forwarded to this client, but please indicate any organisations to which your details should not be sent.

aia

HR MARKETING & COMMUNICATIONS

KEY ROLES WITH
TREASURY
INVESTMENT
LONDON

HALI

صحنه من العمل

HEAD OF MARKET RISK MANAGEMENT

OUTSTANDING CAREER DEVELOPMENT OPPORTUNITIES FOR AMBITIOUS MARKET RISK MANAGERS IN A LEADING FINANCIAL INSTITUTION

THE COMPANY: Our client is a leading and rapidly expanding Moscow based financial institution with an outstanding reputation in the debt, equity and derivative markets and a clear goal to achieve a top five global ranking. The already established Risk Management team provides a comprehensive service covering market, documentary, credit, counterparty and regulatory risk.

Continuing growth has resulted in the need to recruit a Head of Market Risk Management, reporting to the Head of Risk Management. Well versed in the latest market risk management techniques, you can join the company at a particularly exciting time in its development, with the opportunity to contribute directly to the planning and implementation of the company's strategy.

THE PROFILE: The successful candidate must be able to demonstrate:

- Fluency in English and Russian
- A strong quantitative background
- A minimum of 5 years investment banking experience gained from a market risk background
- Rigorous analytical capabilities particularly in risk management
- Knowledge of the Central and Eastern European market place
- Exceptional written, interpersonal and presentation skills
- Entrepreneurialism and ambition

This senior position represents an excellent opportunity for an experienced market risk manager with strong leadership qualities and well developed interpersonal skills to make a key contribution to the continuing growth of a highly successful financial group.

A competitive salary along with a strong performance related bonus is accompanied by a friendly and highly professional team environment that rewards achievement, provides autonomy and supports you with the finest resources in the business.

Please forward your full resume in the strictest confidence, quoting reference no. FJ302-2 to:
Antal International, Paris Business Centre, 23 1st Tverskaya-Yamskaya Ul., Moscow 125047
Tel: 007 095 258 0465 Fax: 007 095 258 0470
Antal International, 2nd Floor, 90 Tottenham Court Road, London W1P 0AN.
Tel: +44 (0) 171 637 2001 Fax: +44 (0) 171 637 0949
e-mail: cv@antal-int.com or visit our website on www.antal-int.com



ANTAL INTERNATIONAL LTD
A Global Recruitment Solution Applied Locally

International Management Consultancy

Central London

Our client is the new UK subsidiary of one of the world's leading Executive Search and Human Capital Consulting firms. We are creating a global research capability to provide clients with state-of-the-art market and sector intelligence, and to support strategic human resource advisory work and executive search assignments.

As a result, exceptional career opportunities now exist for talented individuals capable of helping to grow the business.

Financial Services Analysts/Consultants

Excellent Salary

+ Bonus, Profit Sharing and Benefits

To work as leaders of small closely-knit teams which will conduct continuous research in various sectors of the financial services industry and provide detailed market reports, briefing papers and other analyses. This activity will be used to identify, approach and attract potential candidates to fulfil searches for our clients. Candidates will be graduates in their mid 20s or over. Prior analytical experience is not essential, as exposure to financial services work may suffice. We are also interested in receiving applications from individuals currently working in financial information services and journalism.

In addition we invite applications from younger or less experienced individuals to report to the Analyst/Consultants in fulfilling these tasks.

Please write with full CV and telephone numbers to:

Chelgate Ltd, 15 Hay's Mews, Mayfair, London W1X 7RR

US Investment Bank CORPORATE FINANCE ANALYST

EXCELLENT PACKAGE CITY

European headquarters of a leading international investment bank.

THE POSITION

- Join successful, expanding team focusing on UK and European M&A markets.
- Assist in all aspects of transaction execution.
- High-profile role providing professional support to senior corporate finance staff.

QUALIFICATIONS

- Outstanding graduate preferably with further professional qualification or MBA.
- Minimum two years' relevant experience gained within an investment bank or leading firm. Well-developed financial modelling and analytical skills.
- Clear, confident communicator. Ability to thrive under pressure. Team player.

**SAINTRY HIRD
&
PARTNERS**



Please send a full CV and current salary details, quoting ref 98023, to SHP Associates, Alderman House, 10-15 Queen Street, London EC4N 3TX. Tel: 0171 815 8888. Fax: 0171 815 8900. E-mail: shp@shpa.co.uk

KEY ROLES WITHIN A GROWING TREASURY FUNCTION

INVESTMENT MANAGERS

LONDON

Competitive Salary and benefits

Halifax Treasury has ambitious plans for significant development and growth. Structured Finance, where these posts are based, is one of the six key business areas within Treasury and is committed to growing its already considerable portfolio of bonds and securities.

These are important, high profile roles with responsibility for the implementation of our investment strategy to achieve agreed performance targets within defined risk parameters. You will add value to our operation through your innovative approach to assessing and recommending new investment opportunities. It will also be up to you to develop and maintain relationships with professional counterparts to enhance dealing efficiency and provide constant market intelligence.

To succeed, you will need at least five years' progressively senior experience in financial markets,

ideally on the buy-side. Broad knowledge of Asset Backed Securities, Credit Derivatives and Bond Markets is essential, together with a thorough understanding of both Money and Capital Markets. Highly numerate and computer literate, you will be both fully self-motivated and able to work as part of an enthusiastic and dynamic team.

In return, you can expect a competitive salary, dependent on your skills and experience, and a comprehensive benefits package including bonus, company car, private healthcare and concessionary rate mortgage.

To apply, please write with full CV to: Philomena Gray, Halifax plc, Head Office Personnel, Trinity Road, Halifax, West Yorkshire HX1 2RG.



Equal opportunities for all - our policy is as simple as that



European Investment Bank

A career in the heart of Europe

The EIB, the financing institution of the European Union, is currently seeking for its Finance Directorate at its headquarters in Luxembourg

In its Capital Markets Department a (m/f)

Capital Markets Officer (Ref.: FJ 9801)

Duties: Assisting the Head of Division on the markets for which he is responsible, in particular those of the Central and Eastern European Countries, and participating, in particular, in: • planning and negotiating operations on the capital markets; • issuing in the banking sector in the countries or markets concerned and with the appropriate monetary and financial authorities; • monitoring primary and secondary markets in the countries and sectors concerned; • researching, on the markets in question, tailor-made financing structures and financial instruments; • drafting issue documents; • preparing notes and abstracts.

Qualifications: • University education; • Several years' professional experience in the field of primary and/or secondary capital markets; • sound background in mathematics and the use of IT applications; • substantial experience of interest-rate and currency swaps as well as other derivatives; • ability to work under pressure and in a team.

Languages: Very good command of English and sound grasp of French and German. Knowledge of another Community language would be an advantage.

In its Planning and Settlement of Operations Department a (m/f)

Back Office Loans Supervisor (Ref.: FJ 9802)

Disbursements/Liquidity Planning Section

Duties: Acting in accordance with the Head of Division's guidelines for the preparation of disbursement and liquidity planning; • leading and managing a team responsible for processing loan disbursements, booking the corresponding funds and issuing contractual notices for loans; • assisting the Head of Division in validating the financial clauses of loan contracts; • verifying the contractual conformity of loan disbursement applications; • vetting disbursement orders and contractual notices; • aiding the Bank's Directorates for Lending Operations; • informing borrowers about contractual clauses and calculation methods; • developing and managing the bank's liquidity planning programmes; • developing and managing loan processing applications.

Qualifications: • University education with specialisation in finance, accounting and management; • knowledge of legal affairs; • several years' professional experience in the fields of banking and finance, especially long-term financing operations; • methodical and organised approach and capacity to solve problems rapidly and independently; • succinct report-writer, with good interpersonal skills and ability to communicate effectively both with the Directorate's other departments and with counterparties; • familiarity with IT applications.

Languages: Good command of English and French. Knowledge of other Community languages would be an advantage.

The EIB offers attractive terms of employment and salary with a wide range of welfare benefits. Applications from women would be particularly welcome.

Applicants, who must be nationals of a Member State of the European Union, are invited to send a detailed curriculum vitae, in English or French, together with a photograph, quoting the appropriate reference, to:

**EUROPEAN INVESTMENT BANK, Recruitment Division,
L-2950 LUXEMBOURG. Telex: +352 4379 2545.**

Applications will be treated in the strictest confidence and will not be returned.
General information about the EIB can be found on Internet (<http://www.eib.org>).

Credit Risk - Metals International Investment House

London

Goldman Sachs is a leading investment banking and securities firm with a highly successful commodities business. The metals market is a key part of this business and the firm utilises innovative products to manage price volatility and improve investment returns, utilising state-of-the-art analytical systems that facilitate the structuring of highly sophisticated transactions.

Many of these businesses and transactions involve substantial credit risks, which credit professionals, business units and other internal agencies are responsible for managing. They now seek to expand the existing team with a metals credit risk professional.

Primary responsibilities will include managing the credit risk inherent in the firm's activities in metals trading, dealing with business units and other internal areas and conducting counterparty analysis, utilising all available information sources, including regular client visits. The role will also encompass working with the Capital Markets and Investment Banking areas of the firm on a variety of projects where metal is a key component.

The successful candidate will probably be a graduate, preferably with a background in mining, engineering or geology, allied to a knowledge of finance

from either a banking or corporate environment. You will have the ability to apply such knowledge in a practical manner to credit risk appraisal and possess strong analytical skills, ideally with a quantitative bias. Your interpersonal skills will enable you to interact effectively with traders and salespeople, other areas of the firm and senior management.

This position is a key element of the firm's activities in the metals market and the successful candidate will enjoy an excellent remuneration package and the opportunity to work elsewhere within the bank's global network.

Interested candidates should

send their CV with a covering letter

to Neil Macnaughton,

quoting reference 487,

at BBH Associates,

76 Watling Street,

London EC4M 9B.

Fax: 0171 245 2814.

E-mail:

487@bbh.co.uk



Leading worldwide chemical company
is expanding and seeking top-level
talent to join our team.

FINANCIAL CONTROLLERS

Responsible for establishing and maintaining financial controls for various business units throughout Europe (Germany, France, Netherlands & Belgium). Requires graduate ACA with a minimum of 10-15 years' experience

SALES DIRECTOR

EUROPE

Reporting to the Sr. Vice President, the selected candidate will manage a direct sales force and distribution network. Must have at least 10-15 years' experience and a scientific degree, complemented by a business degree.

MANAGER

INFORMATION TECHNOLOGY

Responsible for monitoring, maintaining and upgrading Novell & NT LANs & WANs. You will support users on Win 95 & NT (running MS Office), as well as support Internet, Citrix & AS400. Requires 5-7 years' experience and hands-on knowledge of the above environments/software.

TECHNICAL SALES

REPRESENTATIVES

Positions available in Northern France, Scandinavia and Germany. Requires Ph.D. in scientific discipline and 5+ years' related sales experience.

English fluency is required for all positions; multilingual ability is preferred. We offer competitive compensation and comprehensive benefit packages. For confidential consideration, please forward resume (indicating position of interest and compensation history) to: Confidential Reply Service, Box #440, 902 Broadway, 10th Floor, New York, NY 10010, USA.

Equal Opportunity Employer M/F/D/V

LEADING US COMPANY SPECIALISING IN US
GRADUATE AND PROFESSIONAL TEST PREPARATION
IS SEEKING MANAGER FOR ITS LONDON BRANCH.

Candidate must have university degree (advanced degree in business preferred); extensive knowledge of US standardized tests including USMLE, NCLEX, CFPES, GRE, GMAT, and LSAT; several years marketing, face-to-face and tele-sales experience in service industry; strong office management skills; multi expertise; knowledge of IBM compatible and Macintosh systems and hardware; advanced knowledge of Internet protocols and software; and willingness to work weekends and holidays.

Salary £25-35k depending on experience.
Application with CV to:
371 Westminster Palace Road, London SW19 6PE

ISRAELI MARKETS PRIVATE CLIENTS ASSOCIATE

Excellent package - London

Our client, a major financial institution, is expanding its Private Clients coverage and is looking for an exceptional performer to join its London team to cover Israeli markets.

Key responsibilities will include:

- Managing Israeli desk operations.
- Raising capital to be invested in global financial assets and managing client assets on a day-to-day basis using a variety of portfolio management techniques.
- Advising high net worth individuals on investment opportunities in global markets.
- Developing new prospects in the context of the current Israeli legal framework and the regulatory environment.
- Monitoring, managing and reporting on client assets.
- Setting up a legal framework for accounts.

Successful applicants will be able to demonstrate:

- Fluent written and spoken Hebrew.
- Academic excellence to include an MBA from a leading business school; a law degree would be an advantage.
- Excellent leadership/management skills.
- Understanding of the Israeli financial regulatory environment to include the Central Bank's foreign investment regulations in servicing private clients. Experience of currency regulations would be invaluable.
- At least 3 years' corporate and securities legal experience to include advising private and corporate clients.
- Proven record of building client relationships in Israeli markets.
- Excellent report writing and communication skills.

To apply, please send your CV and covering letter, quoting ref: 2176, to: The Response Management Team, AIA, 5 St John's Lane, London EC1M 4BH, to arrive no later than 17th June 1998.

Applications will only be sent to this client, but please indicate any organisation to which your details should not be forwarded.



HR MARKETING & COMMUNICATIONS



Schroders

Exciting opportunities within Convertibles Trading

Competitive and Excellent Banking Benefits Package

At Schroders, a leading international investment banking and asset management group, we have built a successful track record in our chosen markets over recent years. We pride ourselves on our ability to supply a range of blue chip clients with top quality advice, products and services within a strong and stable organisational structure.

An excellent opportunity has arisen in Schroder Securities for an enthusiastic trader to join our Convertible Bond team. We are looking for candidates with a minimum of two years' convertible/warrant trading experience, gained in either UK, European, or Asian markets, who have excellent analytical skills, initiative, and well developed interpersonal and team skills.

If you believe you possess the qualities to thrive within a dynamic, meritocratic environment where you can truly make an impact on the business, we would like to hear from you.

Please forward your curriculum vitae to Shelley Brewer, at Schroders, 120 Cheapside, London EC2V 6DS or via email to Shelley.Brewer@Schroders.com or fax her on 0171 658 2681.



The Bank of New York is one of the leading providers of Securities Processing Services worldwide. With custodial assets in excess of \$3 trillion, the Bank is committed to maintaining its competitive edge by delivering service solutions tailored to the individual needs of our clients.

Credit Officer

Central London

Excellent salaries plus banking benefits

The Bank of New York has an excellent opportunity for an experienced Credit Officer. Based in London within a small, focused team, the successful candidate will undertake credit and risk analysis for a wide variety of European non-bank counterparties, and provide day to day credit support as required.

Candidates must have at least five years' credit experience, be formally credit trained, educated to degree/IGB level and possess strong banking knowledge. A good understanding of FX products and Securities Processing risks would be an advantage. Superior written and communication skills and the ability to liaise with Traders and Senior Management are also essential. (Ref:COFT)

In the first instance, please send your CV detailing your current salary and quoting the reference, to our Consultants, CJA at 2 London Wall Buildings, London EC2M 3JF. Those who are handling this response. Telephone: 0171 585 3385 Fax: 0171 256 8501.

A better place to work

DEVELOPING HIGH-QUALITY STEELS RESEARCH WITH A PAN-EUROPEAN FOCUS.

EQUITIES RESEARCH

Our client is one of the world's leading financial institutions. In order to facilitate the continued expansion of their European equities business - particularly in the steel sector - they are now looking for a high-calibre steel industry professional to strengthen their research operation.

Working in close liaison with counterparts in the US, you will join the talented team responsible for analysing sector trends and company strategies, forecast the results of European steel companies and ultimately make investment recommendations.

Qualified to at least degree level in a business/economics related discipline, you must have considerable senior-level experience of working in both the European and USA steel industries. Equities experience will be useful, but more important will be a proven track record of analysing the sector, identifying opportunities and devising profitable business strategies on both sides of the Atlantic. You will also need strong communication skills including fluency in at least two European Languages other than English.

In return, you can look forward to all the rewards you would expect from a global investment bank.

To apply, please send full career details, quoting ref 2178, to: The Response Management Team, Associates in Advertising (AIA), 5 St John's Lane, London EC1M 4BH.

Applications will only be forwarded to this client. However, please indicate any organisation to which your details should not be sent.

aia

HR MARKETING & COMMUNICATIONS

POSTS AND TELECOMMUNICATIONS CORPORATION Harare, Zimbabwe

CHIEF EXECUTIVE OFFICER

Posts and Telecommunications Corporation (PTC) has embarked on an ambitious programme of change to take it into the 21st century. It is now seeking an exceptional individual to take responsibility for the delivery of this programme which includes establishing:

- four strategic business units as profit centres (posts, telecommunications, cellular and manufacturing)
- business process re-engineering
- a new corporate identity and corporate culture
- enhanced business performance
- preparation for privatisation

As executive head of the organisation, success in this highly visible role will depend upon your ability to influence and build strong relationships across the company and with influential stakeholders outside PTC. In short, you will be a catalyst for change.

You responsibilities will include:

- developing a plan to ensure delivery of the programme
- hands-on leadership of the restructuring programme
- driving the process of change in a challenging and dynamic environment
- managing the restructured company to deliver quality service and profits
- preparing the restructured organisation for private sector investment
- advising the Board and Government on sector reform implications for PTC

You are likely to be a senior executive of a large company in the telecommunications or IT sector and probably an MBA with proven ability to:

- develop a strategic business plan
- manage multi-disciplinary teams within various business areas
- manage complex change processes
- shape the regulatory regime and then grow the business within a competitive sector
- understand telecommunication and IT systems at a non technical level
- transform business operations into profitable entities
- motivate, influence and communicate effectively

We are also inviting applications from experienced business leaders who are interested in appointments as general managers of our new Telecommunications, Cellular Mobile, Postal and Manufacturing strategic business units.

3 Year Contract
Attractive salary + bonus + benefits

Apply in writing, with full curriculum vitae (envelope marked 'in confidence') to:

Chairman P&T Board,
PO Box CY331, Harare Zimbabwe
Tel: +263 4 728811 Fax: +263 4 795458

Closing Date Friday 12 June 1998

PART-TIME PUBLICATIONS EDITOR (Monday-Wednesday)

As a recognised leader in the fixed income and equity markets, this International Investment Bank provides a comprehensive range of products and services in the primary and secondary bond and equity markets, currency and interest rate swaps and options, fixed income and equity derivative products and specialised instruments.

An opportunity exists in London for an editor to support the Economics, Bond and Credit Research teams. The role involves the co-ordination of publication schedules, editing and generally ensuring the accuracy and consistency of argument within and between publications.

Candidates are likely to hold a degree or equivalent in Economics and have at least 3 years' experience working in financial markets, preferably within Fixed Income. The successful candidate will have previous editorial experience, together with knowledge of Word and Excel, with knowledge of Powerpoint an advantage. We are seeking a team player with excellent communication skills, the ability to work under pressure and to tight deadlines, and a sense of humour. A competitive salary and excellent career opportunities are offered to attract the very best candidates.

A detailed CV and covering letter should be sent to our consultant Mrs D Bailey at GMBM, 19 Chancery Cross Road, London WC2H 0ES, quoting reference R0035



GMBM
RESPONSE
MANAGEMENT
SERVICES

A Division of GMBM Advertising and Research

Appointments Advertising

appears in the UK edition every Wednesday & Thursday and in the International edition every Friday.

For information on advertising in this section please call

Financial Times

ACCOUNTANCY APPOINTMENTS



Pathogenesis is a rapidly emerging US biopharmaceutical company with a lead position in the area of infectious respiratory disease, particularly Cystic Fibrosis. Successful completion of our lead product, a refrigerated aerosolised antibiotic manufactured in the USA, has led to the establishment of a European operation in preparation for clinical trials, registration, packaging and sales in Western Europe.

We now seek a senior finance professional with wide ranging international experience, including corporate taxation, for a pivotal role in building our Pan-European operation.

European Finance Director

c.£80,000 + Benefits + Stock Options + Bonus

Heathrow

Reporting locally to our European Managing Director and internationally to our USA-based Chief Financial Officer, you will create and implement our European financial strategy and ensure that this is supported by effective financial management and control. This will involve managing Pan-European corporate taxation compliance, working closely with the CFO on taxation strategies, as well as ensuring all import/export activity complies with customs and duty regulations.

You will also advise on potential acquisitions, transfer pricing, European treasury management, as well as ensure all accounting systems are compatible and integrated with our USA Head Office function. As part of your substantial involvement in commercial strategy, you will represent our interests with Government Agencies, negotiate terms with major suppliers and play a major role in new European office openings.

Commercially aware, with several years' senior general management experience, you will be a graduate qualified accountant and ideally an MBA. You should have a minimum of five years' practical experience in an industrial environment, ideally the pharmaceutical or a similar industry, which must include exposure to European import/export regulations and corporate taxation, including VAT. Decisive and innovative with the personal qualities to relate well with and impress people at all, particularly senior, levels you will ideally have worked for a subsidiary of a USA Group and have a good general understanding of European business practices and cultures. European language skills would be a definite advantage.

Please send your CV, including details of current earnings, to: Rod Cook, Personnel Adviser, Pathogenesis Ltd, 1000 Great West Road, Brentford, Middlesex TW8 9HH. Telephone: 0181-261 4426. Fax: 0181-261 4526. Email: rod.cook@biopers.co.uk For further information on the company see: www.pathogenesis.com We would appreciate all applications by our closing date of Thursday, 18th June 1998.



PATHOGENESIS LIMITED

To be outstanding, you need outstanding opportunities

Business Analysts Systems Analysts

Nationwide - Excellent + flexible benefits

Cap Gemini is the largest European IT services company, with 30,000 talented people in 16 European countries, the USA and Far East. One of our key areas of expertise is helping leading banks, building societies and insurance companies to operate in an increasingly sophisticated IT environment.

We're looking for Business and Systems Analysts with an unusual blend of skills to help create, develop and implement technical solutions for our customers. As well as offering relevant expertise, you'll understand the importance of IT in finance. You'll also have a vision of how technology will enhance financial practices in the future.

A systems analysis and testing professional with experience of banking and financial systems and, preferably, NT/Windows, you'll combine teamworking and communication skills with integrity. Familiar with the delivery of business critical solutions, you'll

bring an innovative, client-focused and project-oriented approach to our business.

In return, we're offering excellent salaries, the recognition you deserve and the freedom to be outstanding. So, if you'll thrive in a culture that believes in being courageous, aiming high, encouraging teamwork, respecting others and having fun, we should talk.

Please send your CV, including current salary package details and quoting reference FT330 to Alison Vann, Cap Gemini, PO Box 14223, London SW8 2ZE. Alternatively, e-mail opportunities@capgemini.co.uk quoting the above reference. You may also apply via http://aps.com/Cap_Gemini quoting reference FT330.

For more information, see us at www.capgemini.co.uk



It is on this side

London, Thames Valley, Cambridge, St Albans, Bristol, Croydon

You spend most of your life at work. The team you work with, and the environment you work in, are just as important as what you do. Maybe things have changed recently and you're feeling uncertain about the future. Or you're just not being challenged. If so, we're offering you the opportunity to do something positive.

Arthur Andersen is one of the world's leading professional services organisations. It's a fast-moving, demanding environment which allows people to progress on their merits fully supported by our strong commitment to training and development. For example, you will be given the opportunity to take up a fully funded MBA. In fact, we believe the consistent standard of career opportunities we offer talented people is unparalleled.

Excellent to attract the best

We're looking for newly qualified accountants and accountants with post qualification experience for our Assurance and Business Advisory Practice, which covers a wide range of clients and industry groups and means the work itself is varied and allows you to develop into a true business advisor.

So if you're working in professional services or industry and want to contribute to a business and not just a set of accounts, you should think about joining one of our multi-disciplinary teams. There's never been a better time to change.

Send your full cv. to: Stevan Rolfs, Arthur Andersen, Abbots House, Abbey Street, Reading RG1 3BD. Fax: 01189 523301. Email: stevan.rolfs@arthurandersen.com

ARTHUR
ANDERSEN

مكتبة من الكتب

Financial Accountant

SW London

Telia is a global telecommunications company with a turnover in excess of £3 billion and is a founder member of Unisource, Europe's largest telecommunications organisation. Following a period of significant change, they are poised to enjoy substantial growth in their major markets. As a result of continuing business growth, an opportunity has arisen for a high calibre candidate to become Financial Accountant.

Working for the Financial Director, the successful applicant will be involved in all financial aspects of the company in accordance with Group Accounting rules, liaising regularly with the sales force. In addition, the Financial Accountant will play a significant role in the further development of internal controls and systems. You will also supervise a small accounts team.



£ Negotiable

The successful candidate should be a qualified chartered accountant with up to two years post qualification experience, with strong interpersonal skills. A telecommunications background is not essential.

If you are a lateral thinker and wish to be part of a dynamic international organisation, Telia offers a chance to join a company committed to personal development with excellent future career opportunities.

If you feel you have the above skills, please forward a comprehensive curriculum vitae, including details of current salary and daytime telephone number to Scott Thomson, Michael Page Finance, 39-41 Parker Street, London WC2B 5LN, alternatively fax 0171 831 2612 or e-mail: scottthomson@michaelpage.com quoting reference 424957.

Michael Page

FINANCE

Australia - China - France - Germany - Hong Kong - Italy - Netherlands - New Zealand - Singapore - Spain - UK - USA

Head of Financial Management

Chelsea

£33-36,000

Macmillan Cancer Relief is one of the UK's most successful charities, raising over £10 million in 1997 - a 20% increase on the previous year. The charity is committed to providing everyone in this country with cancer, equal access to the best care, treatment and support.

You will be reporting to the Director of Finance and managing a team of four qualified finance advisers/managers. However your key relationships, in a pivotal role, are with the senior operational managers of the charity - fundraisers, public relations professionals and other professionals, whose focus is developing services for people with cancer, the profile of the cause and increasing the next generation - not finance. Your top priority is the business needs of the charity.

Key responsibilities are to:

- Develop and review corporate financial strategy in conjunction with executive directors.
- Implement, develop and maintain a financial management information system to meet the charity's business requirements.
- Design, develop and maintain the budgeting system.

- Provide financial analyses for managers and carry out cost reviews and financial feasibility studies.
- Provide regular financial management information and advice to executive directors and managers.

The successful candidate will:

- Be a qualified accountant with proven track record
- Display excellent interpersonal skills at all levels in the organisation, illustrating experience of dealing with non finance managers
- Be eager to develop a keen interest in the activities of the charity
- Have the ability to work under pressure, be adaptable, focused and able to meet tight deadlines.

You will need to demonstrate a clear idea of why you want to work for Macmillan Cancer Relief, be results driven and be seeking to apply your knowledge and experience to a dynamic, pragmatic organisation.

Interested candidates should send an up-to-date copy of their curriculum vitae to Helen Rolfe at Michael Page Finance, Page House, 39-41 Parker Street, London WC2B 5LN. Telephone 0171 264 2294, Fax 0171 831 6293, e-mail: helenrolfe@michaelpage.com

Michael Page

FINANCE

Macmillan cancer relief



You get a lot more than you bargained for

European Finance & Taxation Manager

Herts

c £45,000 + Benefits

TK Maxx is the UK operating division of TJX Companies Inc, the world's largest off-price clothing retailer (selling branded clothes and accessories 20-60% less than high street prices). A Fortune 500 company with a global turnover in excess of \$7 billion, it has produced record financial performance year after year.

Operating in the UK since 1994, with sales of over £100 million and 100% growth forecast for the current financial year, TK Maxx is a niche market leader. There are already stores trading in three European countries with an ambitious plan in place to open in other locations on the mainland. This has led to the need to recruit a European Finance and Taxation Manager.

With responsibility for the compliance of all European countries in which TK Maxx trades, you will advise each division on:

- Direct and indirect tax legislation.

- Company accounting and reporting requirements.
- Production of tax computations and returns.
- Production of statutory accounts.

As a qualified accountant, you will have gained experience in a tax department and preferably had exposure to European accounting. You will be a highly ambitious individual who can flourish and grow in a high volume, fast moving environment. A background in retail or similar would be ideal, but you must have strong commercial awareness, excellent communication skills and a pro-active approach.

Interested candidates should write enclosing an up-to-date CV to Paul Smith at Michael Page Finance, Century House, 136-142 London Road, St Albans, Herts AL1 1SA, quoting reference C290866, e-mail: paulsmith@michaelpage.com

Michael Page

FINANCE

Australia - China - France - Germany - Hong Kong - Italy - Netherlands - New Zealand - Singapore - Spain - UK - USA

"A track record of outstanding success is not enough, the future holds new challenges; we will drive forward with confidence" Ian Parkes, Chief Executive



Head of Finance & Operations

SW London

c £45,000 + Benefits

The AZTEC Vision: To make South West London the best place to live, work and do business. Established in 1990, AZTEC is responsible for investing over £15 million of public and private funding into improving health, education and local business performance.

As the number one in finance, you will play an integral role as a member of a lively, open, creative senior management team developing strategies to meet organisation objectives and achieve long term goals.

Reporting to the Chief Executive, duties will include:

- Design and implementation of strategies with specific reference to sources of income, contract management and income generation.
- Deliver commercial financial and management information to Board and senior management level.
- Manage a multi-functional staff of 27.

- Ad-hoc projects including, risk analysis, quality assurance and contract negotiation.
- Enthusiasm for, and working knowledge of, IT systems, coupled with an ability to maintain and improve IT functions.

To succeed in this role, you will be a fully qualified Accountant with at least five years post qualified experience managing corporate operations. Ideally from a service sector background, you will be excited by change, innovative, results driven and commercially aware. You must be able to inspire and lead, not just manage. Candidates should send a CV to David Morgan at Michael Page Finance, Page House, 39-41 Parker Street, London WC2B 5LN, Fax 0171 831 6293, e-mail: davidmorgan@michaelpage.com



Michael Page

FINANCE



INVESTOR IN PEOPLE

Assistant Director Internal Audit

Surrey

c £40,000 + Car + Benefits



Hanover is a pioneer in the design, development and management of housing for older people across England. Established in 1963, with a Group turnover in excess of £30 million, Hanover is a diverse organisation made up of: Social Housing Management, Property Development, Estate Management, Charitable Trusts and Advice Centres. At the forefront of the retirement housing sector Hanover has achieved considerable organic growth, with the most recent innovations being the launch of an emergency call service centre and a specialist estate agency.

Reporting to the Group Chief Executive and the Board, duties will include:

- Preparation and review of a three year Strategic Audit Plan, based on Group objectives and risk assessment.
- Supporting and empowering Group Managers in the use of Control and Risk Self Assessment.
- Assessing the efficiency, effectiveness, impact and

control of any existing or proposed systems including compliance testing, with emphasis on value for money.

You will have a relevant professional qualification with at least five years internal audit experience ideally gained in a service sector environment. Your CV will demonstrate design and implementation of audit programmes and exposure to risk analysis, first class technical and communication skills, an enthusiasm for board level involvement and advanced staff management ability.

Currently you will be looking to apply your commercial acumen to a high level strategic role, influencing operations, controls and systems across the Group.

Candidates should send their CV to David Morgan at Michael Page Finance, Page House, 39-41 Parker Street, London WC2B 5LN, Fax 0171 831 6293, e-mail: davidmorgan@michaelpage.com

Closing date 22nd June 1998. Michael Page and Hanover are committed to equal opportunities.

Michael Page

FINANCE

Australia - China - France - Germany - Hong Kong - Italy - Netherlands - New Zealand - Singapore - Spain - UK - USA

Head of Finance

N Midlands

c £50,000 incl. Benefits Package

Our client is a division of one of the UK's largest supply and distribution organisations. The division has a sales turnover of over £500 million and employs around 1500 people from 12 centres nationally.

The business is constantly striving for operational and cost efficiencies and as such relies on high quality financial management in all areas of its activity.

The Head of Finance has total responsibility for the direction and co-ordination of all financial processes and as part of the senior management team, will be expected to contribute to overall business strategy.

Specific competencies of the successful candidate will include broad based financial, IT and managerial skills including outstanding leadership and communication abilities.

Individuals must have a strong customer orientation, corporate awareness with a high degree of financial acumen.

Applicants must be graduate calibre, qualified accountants with at least five years experience in a senior finance role preferably within a logistics/service environment.

The role offers an outstanding opportunity to join a fast moving dynamic organisation in a high profile position with a genuine opportunity to influence business practice.

Interested candidates should write to Ian Leech ACMA at Michael Page Finance, 4-8 Regent Street, Nottingham NG1 5BQ, enclosing a full CV and current salary details, fax 0115 941 0125, ref 425663 e-mail: ianleech@michaelpage.com

Michael Page

FINANCE

Australia - China - France - Germany - Hong Kong - Italy - Netherlands - New Zealand - Singapore - Spain - UK - USA

MERGERS AND ACQUISITIONS

SENIOR MANAGER IN A DYNAMIC AND ACQUISITIVE MULTI-NATIONAL \$13 BILLION CONSUMER BRANDS GROUP

EXCEPTIONAL SALARY AND BONUS

WEST LONDON

Rothmans International is one of the leading manufacturers of tobacco products with sales over \$13 billion and a strong portfolio of global brands including Dunhill, Winfield, and Peter Stuyvesant. The company operates 40 manufacturing sites in 30 countries and markets products in over 100 countries. Impressive growth in turnover and profits is being achieved through organic development and mergers and acquisitions.

In this newly created position reporting to the Corporate Finance Director, the individual will take a lead role in developing strategy and evaluating, planning and managing the implementation of mergers and acquisitions world-wide. In addition to providing support to the Corporate Finance Director and senior operational management, the role will undertake other ad hoc strategic and financial projects.

The position is a key component of a high profile team providing leadership in a very dynamic and active area of the business. This will necessitate assuming broad responsibility and involvement in a wide range of projects and working closely with senior executives in other disciplines across the organisation, as well as managing relationships with key financial institutions and advisors.

Likely to be early 30s with five years' international experience in mergers and acquisitions in corporate finance either in a leading investment bank or professional advisor or a similar role in a blue-chip acquisitive multi-national. A proven track record in project management is important as is a first or 2:1 degree from a top university and relevant professional qualification (preferably large firm qualified ACA). A second language would be a distinct advantage.

Strong analytical and strategic capabilities with an operational focus and shared business sense are essential, as is a conscious and resilient character with the nature to quickly gain credibility with senior executives and external advisors. Energetic and highly motivated, capable of working in a multi-national environment and flexibility to travel extensively overseas.

The appointment represents an excellent entry point into the organisation to build on broad, from-the-MBA experience, as part of a fast track career development programme, which will lead to a wide range of opportunities within the organisation world-wide.

Please apply in writing quoting reference 2571 with full career and salary details to:

Kate Thomas
Whitehead Selection
11 Hill Street, London W1X 8BB
Tel: 0171 250 2053, Fax: 0171 250 2055
www.whiteheadselection.co.uk

Whitehead
SELECTION

A Division of Whitehead Mann Ltd,
a Whitehead Mann Group PLC company

GROUP FINANCIAL CONTROLLER

EXCEPTIONAL OPPORTUNITY IN RAPIDLY EXPANDING INTERNATIONAL PLC

NORTH WEST

c.£60,000 + SHARE OPTIONS + BONUS + BENEFITS

Our client is a highly successful, international business generating £12m profit on sales in excess of \$43m. Compound annual growth of 20% has been achieved and is forecast for each of the next five years, founded upon a major programme of capital expenditure and expansion.

The Group's success reflects its customer focus, collegiate and empowering management style, and the quality of its patented product.

The appointment of a high-calibre Financial Controller is seen as essential to the Group's continued development. In addition to core reporting, budgeting and control responsibilities, the individual will have a major influence on the commercial and strategic direction of the Group.

Reporting to the Group FD, applicants will be qualified accountants with at least seven years' post-qualification experience gained in a quoted, dynamic plc environment where finance actively contributes to broader commercial decisions.

The successful candidate will be outgoing, resilient and comfortable working within a relatively informal, non-hierarchical and team orientated organisation. The premium on effective interpersonal skills will be high.

Above all, candidates must demonstrate the potential and enthusiasm to make a further contribution to the Group following success in this role. This is a rare opportunity to join a young, exciting company. The rewards for those who can share in its vision will be high.

Please apply in writing quoting reference 1647 with full career and salary details to:

Peter Benckon
Whitehead Selection
Equity House, 1 The Broom, Bow Lane, Leeds LS1 5BQ
Tel: 0113 229 1500, Fax: 0113 229 1515
www.whiteheadselection.co.uk

Whitehead
SELECTION

A Division of Whitehead Mann Ltd,
a Whitehead Mann Group PLC company

Financial Controller (Director Designate) Housebuilding

c. £40,000 + Benefits Buckingham

KingsMead Homes is a housebuilder operating principally in the South Midlands area. Formed last year by a team with considerable experience in the industry, KingsMead is about to complete an excellent first full year of trading. Having recently secured significant funding from a major financial institution and a clearing bank, the business is about to enter a period of substantial growth.

The appointment of a Financial Controller is a key addition to the management team. The role will be demanding with responsibility for day to day management of the accounting function, overseeing the production of management information, liaison with banks and helping develop the business strategy as a member of a young dynamic team.

Ideally aged 28-35 with a formal qualification, candidates will have a broad commercial experience, although not necessarily in housebuilding, and will be highly motivated.

Please write in confidence enclosing a full CV to:
Paul Ffello, Managing Director,
KingsMead (Holdings) Ltd, Stone Castle Business Park,
Buckingham, MK16 5AB.

KingsMead
HOMES

PRODUCT CONTROL

Competitive Package

Paris

Barclays Capital is an international investment bank, providing integrated and innovative financing solutions for our global clients. As part of the Barclays Group, we have access to the balance sheet of a bank with assets of \$350 billion and an AA credit rating, giving us the financial resources to support our clients in many different ways. Central to our business strategy is our commitment to invest in excellent people and world class systems.

We are looking for a senior product controller to manage a small team supporting traders dealing in fixed income, both government and corporate bonds, foreign exchange, interest rate derivatives and money market instruments.

Primary responsibilities of this role are:

- Supervising and reviewing daily production of trading P&Ls and end of day risk.
- Playing a key role in the sign off of new products.
- Assisting in system design and implementation for long term business solutions.
- Ensuring compliance with controls set by regulators.

- Ensuring accurate recording of all transactions.
- Facilitating the roll-out of key systems from London to Paris.
- Ensuring that control standards are consistent with the rest of the group.
- The ideal candidate should be highly motivated, possess excellent communication skills and be eager to tackle an overseas opportunity. You should be fluent in French and English and ideally have experience of French banking regulations. You must also have the ability to identify innovative solutions to problems in order to enhance Barclays' global product control. In addition, suitable candidates should have a relevant degree and a formal accounting qualification as well as a proven track record within a product control environment.

Interested candidates should send a copy of their CV to Jeanette Adolph at Michael Page City, 50 Cannon Street, London EC4A 3EA, tel 0171 269 1540, fax 0171 329 3426, or Xavier Logez, in Paris tel 0033 141 927 070 or fax 0033 140 880 248.

BARCLAYS
CAPITAL

A SHARPER FOCUS

BOMBAY CHICAGO FRANKFURT HONG KONG JOHANNESBURG LONDON MADRID MILAN NEW YORK PARIS SINGAPORE TOKYO
And in 13 other cities across the world <http://www.barclayscapital.com>

HEAD OF FINANCE

An Exceptionally Commercial Finance Role

Stevenage

sunbank

Excellent Package

SunBank is the rapidly expanding and profitable banking subsidiary of the 'AAA' rated Sun Life of Canada, one of the world's largest financial services companies with assets under management in excess of \$79 billion. Growth, pace, change and innovation are indicative drivers of this exciting business. In this dynamic environment, there is currently an opportunity for a high calibre individual, as Head of Finance, to play a key role developing and influencing the strategic direction of the Bank.

THE POSITION

- Reporting to a Board Director, the role is an integral part of the senior management team, providing strong financial information as the basis to influence the business strategy of the Bank.
- Responsible for the financial control, management and regulatory reporting, taxation and financial planning processes across the Bank, ensuring continuous improvement.
- Lead and develop a professional finance team to meet the changing demands of the Bank brought about by its rapid growth in a challenging dynamic environment.

QUALIFICATIONS

- Qualified accountant aged late 20s to early 30s with excellent technical skills preferably gained in a financial services or banking business.
- Ambitious, commercially minded self starter with the intellectual capacity to make a real impact in a customer focused environment.
- A team builder with strong communication and interpersonal skills combined with the energy and drive to thrive in a results orientated culture.
- Proven ability to manage change, able to demonstrate a proactive and decisive style.

Interested candidates should write enclosing full career details, current salary and where possible a daytime telephone number to Robert Berkeley at the Consumer Division, Quastor International, 3 Burlington Gardens, London W1X 1LE. Please quote reference number 2440. Telephone 0171 292 8300 Fax 0171 287 5457, e-mail: gal@quastorint.com



QUESTOR INTERNATIONAL

High Performing Group Finance Managers

Major International Banking Institution

Excellent Packages

City

This major global banking group comprises a portfolio of businesses which provides an unrivalled range of financial services to an international client base. Many group businesses are recognised market leaders in their sectors. Two high profile opportunities have arisen for ambitious, dynamic finance professionals to fulfil vital and wide-ranging roles at a time of exciting change and progression.

THE POSITIONS

- Work closely with and support Group businesses by acting as key interface between line managers and Group Finance. Enhance accounting procedures and systems to improve overall operational effectiveness.
- Review and analyse monthly, quarterly and bi-annual financial and management data for reporting to executive management, Board and for external publication.
- Responsible for US reporting and filings with overseas regulators.

QUALIFICATIONS

- Graduate qualified accountants (preferably ACA). Between 2-4 years' PQ financial services experience gained within financial institution or leading accounting firm. Understanding of US GAAP preferable but not essential.
- Commercially astute and technically strong. Record of achievement within results-driven environment. Highly analytical.
- Excellent communication and presentation skills. Confidence and credibility to operate and influence at senior level. Energetic and resourceful.

Please send full cv, stating salary, quoting ref F580601, to NBS, 21-26 Garlick Hill, London EC4V 3BX

Fax 0171 489 0698 Email richardp@nbs-selection.co.uk Tel 0171 379 1070

Aberdeen • Birmingham • Bristol • Cardiff • City • Edinburgh • Glasgow Leeds • London • Manchester • Radlett • Slough • Frankfurt • Madrid • Paris

NBS Selection



Financial Services

A NBS Resources plc company

ISO 9002 Registered

Head of Audit

Financial Services

£65-70,000 + Substantial Bonus + Benefits

London

New role in FTSE 250 UK Plc. Lead development of a business-focused, risk-aware culture. Springboard for progression within dynamic organisation.

THE COMPANY

- Acquisitive UK Plc enjoying period of sustained and rapid growth. Highly profitable. Profit improved 65% over last 12 months.
- Specialist provider of market leading products. Recognised as "pioneering" industry leader.
- Strong and well respected senior management team. Innovative and entrepreneurial culture.

THE POSITION

- Establish and manage business-focused internal audit function. Report to Group Finance Director and Group Audit Committee.
- Responsible for wide-ranging, risk-based audit programme across full spectrum of Group activities. Extend service offering to newly acquired businesses.

- Promote risk-aware culture via process of facilitation rather than validation. Build audit team as appropriate.

QUALIFICATIONS

- Graduate calibre, probably "Big 4" trained. Extensive knowledge of leading-edge, risk-based auditing techniques and methodologies. Financial services experience advantageous.
- Proactive, analytical and decisive. Well developed business understanding to complement attention to detail.
- Excellent communication, presentation and influencing skills.
- Highly ambitious. Capable of assuming senior line role within Group.

Please send full cv, stating salary, ref LG80601, to NBS, 54 Jermyn Street, London SW1Y 6LX

Fax 0171 409 1784 Email slsbhance@nbs-selection.co.uk Tel 0171 483 6392

Aberdeen • Birmingham • Bristol • Cardiff • City • Edinburgh • Glasgow Leeds • London • Manchester • Radlett • Slough • Frankfurt • Madrid • Paris

NBS Selection



Financial Management

A NBS Resources plc company

ISO 9002 Registered

Global Investment Management Group

Fund Accounting Supervisors, Geneva

£ Competitive Package

Established for over 60 years and managing assets of over \$380 billion, this company remains one of the most discreet, but successful, investment management firms in the world. Employing over 4000 people worldwide, with offices in the U.S., London, Geneva, Hong Kong, Singapore and Tokyo, the company is unique in that it is, and will remain, primarily owned by the employees. Because of this the culture is a truly global one, where highly qualified professionals from all fields work together in an atmosphere of excellence and stability. The environment allows them to be creative, involved and appropriately rewarded.

The company is seeking to strengthen its European operations by appointing two qualified accountants to supervise two teams of fund accountants. You will be responsible for supervising the day-to-day activities of one of these fund accounting groups. The job will require a strong ability to establish positive working relationships with associates at all levels within fund accounting, operations, marketing and other departments globally across the whole of the group.

You should be a qualified accountant (ACA or CIMA) willing to relocate to Switzerland for several years. Your work background should preferably involve some international exposure. Fund accounting experience and the ability to speak Italian or French would be useful, but are not pre-requisites. Of equal importance are an excellent academic record, an ability to supervise staff and communicate effectively, and the desire to work in a global culture.

If you would like to find out more about this position then please send your CV to our retained consultant, Julian Evans, at Badenoch & Clark, 16-18 New Bridge Street, London EC4V 6AU, fax no: 0171 353 3908, or call for a confidential discussion on 0171 583 0075. E-mail: je@badenochandclark.com Web-site: <http://www.badenochandclark.com>

BADENOCH & CLARK
recruitment specialists

Internal Auditor World Class Manufacturing

Yorkshire - Excellent Package

■ Allegheny Teledyne Incorporated is a \$4 billion turnover group of technology based manufacturing companies with a significant concentration in specialty metals, complemented by aerospace and electronics, industrial and consumer products. As a result of recent acquisitions in the UK and Europe, the group need to hire an Internal Auditor.

■ Reporting to the Director of Audit in the US, the appointee will be responsible for continuing the development of the Internal Audit function, initiating and implementing consistent group auditing policies and procedures throughout the UK and Europe. This will necessitate a certain degree of travel and a second language would be an advantage. As a proactive and consultative function, Internal Audit provides analysis and reviews which add value to the business, assisting with the delivery of pertinent management information and improving overall operational effectiveness.

■ Candidates will be qualified chartered accountants, fully conversant with UK and US GAAP and be able to adapt easily to the various

business cultures operating within the group. Currently at a managerial level in the profession, or within the internal audit function of a major international organisation, in addition to outstanding technical ability, you must have well developed IT skills.

■ Energetic and analytical, with well developed communication and staff leadership skills, you will have the personal authority to earn the respect of management colleagues throughout the organisation.

Please send your curriculum vitae with current salary details and an explanation of how you meet these requirements to Tim Hastings, Ernst & Young Executive Search & Selection, Rolls House, 7 Rolls Buildings, Fetter Lane, London EC4A 3NH, quoting reference TH244.

ERNST & YOUNG

The United Kingdom firm of Ernst & Young is a member of Ernst & Young International

Finance Manager Consumer Products Manufacturing

South East

Excellent Package

Our client is the European division of a global consumer products company whose expansion in recent years has been outstanding. With manufacturing facilities in more than 30 countries and annual sales in excess of \$14 billion, the potential for further growth both in Europe and throughout the world has never been greater.

An outstanding opportunity now exists for a high-calibre young finance professional to take responsibility for all aspects of the financial management and control of one of the Company's largest manufacturing plants in Europe.

Based in South East England and managing a small finance team, the task is to ensure effective day-to-day financial management and control of operations and to help the unit achieve its financial and business goals by providing timely and accurate financial analysis, reporting and advice to management.



ALEXANDER HUGHES
S E L E C T I O N

Australia Brazil Canada France Germany Italy Japan Scandinavia SE Asia Spain UK United States

HALIFAX

Our clients are a leading bank, a leading investment and financial services company, the real estate and insurance industries. The company has a market capitalisation exceeding \$4.5 billion and is rapidly expanding throughout Europe.

The company is seeking to strengthen its European operations by appointing two qualified accountants to supervise two teams of fund accountants. You will be responsible for supervising the day-to-day activities of one of these fund accounting groups. The job will require a strong ability to establish positive working relationships with associates at all levels within fund accounting, operations, marketing and other departments globally across the whole of the group.

Hays International

ARMATUR

MO
IN
POWER

Financial Analyst

مكتبة الامير

صحة من الالاحل



Product Controllers New Treasury & Capital Markets Function

Exceptional
+
Benefits
+
Bonus

London

MARTIN WARD
ANDERSON
LONDON • WINDSOR • ST ALBANS
SOUTHAMPTON

Previously Britain's largest building society, the Halifax converted to PLC status in 1997. With assets of over \$130 billion, a customer base of over 20 million, and almost 900 branches, the Halifax is one of the UK's leading banks.

A key business sector in the Halifax Group, Halifax Treasury, is expanding its activities to create a full service bank treasury and capital markets division. This will involve establishing a major presence in the City.

These key appointees will ensure the successful establishment of the London Treasury function. The role will involve the following:

- ▶ Provide analysis of profitability for Treasury activities.
- ▶ Assisting in the implementation of risk adjusted methodology for Treasury performance.
- ▶ Assisting in the development of other performance measurement systems.
- ▶ Develop and maintain daily and other periodic reports.
- ▶ Ad hoc project work to support dealing room developments.

You will be a qualified accountant with at least 2 years PQE and first class academics currently employed in a blue chip organisation. Extensive knowledge of Treasury Valuation techniques is essential along with a full understanding of accounting for Treasury Instruments. Familiarity with the latest risk management techniques would also be useful.

You will be a self-starting, hands-on, creative individual who can operate effectively in a new operation at both strategic and operational levels. Candidates will have excellent communication, interpersonal and man-management skills, along with the ability to turn ideas into actions.

If you would like to find out more about those exciting career opportunities, please send your curriculum vitae with a covering letter to Simon Gee or Richard Wright at Martin Ward Anderson, 7 Savoy Court, Strand, London, WC2R 0EL, or by fax on 0171-240-8818 quoting reference 60397 Email: info@mwa.co.uk. Alternatively telephone either of them on 0171-240-2233.



Equal opportunities for all - our policy is as simple as that

Our client is a publicly held, US based investment fund focused upon the real estate and logistics industries. The company has a market capitalisation exceeding \$4.5 billion and is rapidly expanding throughout Europe.

The company is seeking Continental European nationals to join as investment analysts and associates in its European headquarters in Amsterdam. These roles will provide significant opportunities for advancement and may present opportunities to relocate to the company's other global offices.

Hays International

Working together, the Financial Analysts and Investment Associates are responsible for managing the valuation, acquisition and due-diligence process for the acquisition of property companies, investment properties and development sites throughout Europe.

Investment Associates Amsterdam

\$60-80,000 package

Investment Associates direct and review underwriting completed by Financial Analysts and co-ordinate third-party consultants and legal counsel throughout Europe to value, investigate and complete investments. Investment Associates are responsible for all phases of the valuation and acquisition process and report to the Vice President of Acquisitions Due Diligence. Ideal candidates will be educated to degree level and have at least 5 years property-related experience within an investment fund, property agency, accountancy practice or consultancy firm.

Candidates for both roles will be Continental European nationals (French, Spanish or German nationals are particularly sought) and have strong financial underwriting skills and excellent written and spoken English. Successful candidates will be highly energetic and team-oriented. Some travel will be required. Educational or work experience in UK or the United States is also a plus.

Interested applicants should apply in writing to Hays International, 141 Moorgate, London, EC2M 6TX, United Kingdom. Alternatively please fax your cv to Hays International, on +44 171 588 2325.

Hays

Financial Analysts Amsterdam

\$28-50,000 package

Financial Analysts create financial models of acquisition opportunities, work closely with third-party consultants and support investment associates throughout the acquisition process. Ideal candidates will be educated to degree level and have 1-5 years property related experience within an investment fund, property agency, accountancy practice or consultancy firm.

ARMATURE

Integrated Retail Solutions

Armature is a UK based leader in integrated retail solutions for some of the world's largest retailers throughout North America and Europe. Their vision is single-minded: to deliver solutions that advance their customers' competitive position. Since its formation in 1988 the company has developed an impressive portfolio of software products and consultancy services and is growing at 100% per annum. Its ambitious expansion plans include new markets, new countries, new products and services and a public flotation within two years.

The group now wishes to recruit two senior finance professionals who will help form an enhanced finance capability to support the Chief Financial Officer. Both positions require individuals of outstanding ability, excellent PC and systems experience and strong commercial backgrounds gained in international organisations. In addition they must thrive on challenge and be able to deliver in the face of demanding pressures.

International Planning and Analysis Manager Thames Valley

c£50,000 + Car + Benefits

Ref: 60313

Position

Reporting to the CFO, main duties will encompass:

- ▶ Working as part of a small high-profile commercial finance team.
- ▶ Develop reporting systems to provide timely, accurate information to drive the business forward.
- ▶ Responsibility for the Business Plan, both short and long term.
- ▶ Develop a 'balanced score card' for each area of the company.
- ▶ Evaluate customer and industry trends to provide commercial information.

Requirements

- ▶ Graduate calibre, results orientated qualified accountant with at least 5 years PQE in an international company.
- ▶ Commercial awareness to identify key indicators and translate them into operational reality.
- ▶ Team player with highly developed interpersonal skills to facilitate effective communication.

Interested candidates should send their CV to Peter Ward ACMA or Frances McCutcheon, Martin Ward Anderson, Goswell House, 134 Peaseod Street, Windsor, Berkshire SL4 1DS, quoting the appropriate reference. Alternatively, please fax your details on 01753 850253 or e-mail on info@mwa.co.uk or telephone on 01753 830881.

European Accounting Manager Yorkshire

c£50,000 + Car + Benefits

Ref: 60414

Position

Reporting to the CFO, main duties will encompass:

- ▶ Management and motivation of a small finance team.
- ▶ Interpret and produce financial information for both UK and US statutory reporting requirements.
- ▶ Develop financial accounting systems to ensure state of the art information.
- ▶ Ensure compliance with internal controls and processes as well as the latest accounting standards.

Requirements

- ▶ Graduate calibre, results orientated ACA, with a minimum of 5 years PQE, in an international company.
- ▶ Quality exposure to public company reporting requirements.
- ▶ Understanding of European accounting desirable.

MOVE INTO POWER.

Financial Analyst

Edison Mission Energy is internationally acknowledged as a leading global power producer. We own, acquire, operate and develop power projects all over the world, and have an opening for a Financial Analyst in our London office which is the regional headquarters for Europe, Central Asia, Middle East and Africa.

Your role will be pivotal to the success and profitability of these projects - assessing potential risk and return, and delivering advice on project viability. Using IRR and NPV methodologies, you will analyse the financial implications of the purchase, construction and operation of large power producing facilities and co-generation projects; your input will be crucial in negotiation support, and in devising optimal profit and tax strategies.

With a formal accountancy qualification or equivalent work experience, you will also need at least 2 years' exposure as an accountancy/financial analyst in a bank or complex commercial environment. Treasury management, derivatives and hedging theory knowledge would be useful. Advanced spreadsheet (Lotus and Excel) skills are essential, as are excellent interpersonal abilities. Fluency in a second language would be a distinct advantage.

This is an exceptional opportunity to take a leading role in the future of a major international organisation, and we offer the sort of rewards and benefits commensurate with such a challenging role.

Please send a comprehensive C.V. stating current salary to Deborah McLean, Edison Mission Energy Limited, Lansdowne House, Berkeley Square, London W1X 8JL.



EDISON
MISSION ENERGY

An Edison International Company

International

LONDON £HIGHLY COMPETITIVE

Tax Advisor

WITH A HEAD FOR HEIGHTS

Are you the sort of professional that is striving for the top?

We are acting for one of the world's leading financial services organisations with a presence in all the major markets of some 50 countries. As levels of demand for advice from the investment banking operation continue to rise, they are now seeking an ambitious specialist, with a background in international tax and the wider financial services arena, to take on a planning and advisory role covering this sector.

In addition to advising on cross-border re-organisations and structural matters, business transactions and ad-hoc projects for the overseas branches and subsidiaries you will be involved in the development of good relations with operational managers across the network. Consequently some international travel will form a key part of the position.

If you are a confident negotiator, in your late 20's to mid 30's, with a strong commercial sense and a history of achievement that matches your level of ambition, then we would like to hear from you. Opportunities within this large, successful and rapidly growing financial services organisation to further develop your technical skills and your career are exceptional, and the remuneration will be set to attract the calibre of individual desired.

In the first instance please contact Andrew McNeil at Harrison Willis, Carlton House, 39-40 Abchurch Lane, London EC4N 3DF. Tel: 0171 629 4463 (evenings & weekends) 01753 859926. e-mail: andrew.mcneil@hwwgroup.com

HARRISON
WILLIS



BIRMINGHAM • BRISTOL • CARDIFF • CROYDON • DUBLIN • GUILDFORD • LEEDS • LONDON
MANCHESTER • MIDDLESEX • NOTTINGHAM • READING • ST ALBANS



COUNTRY HEADS & SENIOR MANAGERS

SPECIALISING IN BUSINESS RISK AND INTERNAL AUDIT

Based Norway, Sweden, Italy, Russia, South Africa & others. Excellent Package and Opportunities

THE COMPANY:

Our client is a leading Global organisation specialising in the provision of Risk Management and Internal Audit services to many of the world's leading companies. The company has offices throughout the world and employs in excess of 50,000 people. These vacancies are working in one of the fastest growing areas of the business with a clear opportunity to progress to the highest level.

THE ROLE INCLUDES:

- management of Business Risk and Internal Audit
- winning new business while managing existing clients
- growing the business unit in a dynamic, fast paced environment
- running a dedicated team of professionals
- a wide variety of experiences obtained in different sectors and skills
- access to arguably the most impressive range of training, tools and methodologies available

THE IDEAL CANDIDATES WILL:

- be 30-40 years old for the Country Heads/ Directors to be based in Sweden, Russia and Italy
- be 25-35 years old for senior positions in Italy, Norway, South Africa as well as most other European countries
- have a proven track record in risk management and internal audit
- be a qualified accountant or suitable alternative qualification
- be fluent in the local language and have a good working knowledge of English
- have strong interpersonal skills, including presentation skills and a desire to generate new business opportunities

The successful candidates will receive excellent salary and benefits packages that will clearly differentiate them in the marketplace.

Please forward your full resume, in the strictest confidence, quoting reference FT3242 to: Antal International, 2nd Floor, 90 Tottenham Court Road, London W1P 0AN. Tel: +44 (0) 171 637 2001 Fax: +44 (0) 171 637 0949 e-mail: cv@antal-int.com or visit our website on www.antal-int.com



ANTAL INTERNATIONAL LTD
A Global Recruitment Solution Applied Locally

Finance & Administration Manager

Dubai, UAE

Tax free salary

Since the formation of its first subsidiary in 1974 Emirates National Oil Company (ENOC) has been committed to the sole objective of the provision of the best products and services at the best prices to fuel the growth of the modernisation of the United Arab Emirates. In line with this mission statement, ENOC is building a Condensate Refinery capable of producing 130,000 BPSD of mixed products.

This continued expansion has now created an exciting opportunity for a dynamic, well qualified professional to take up this high profile position. Responsibilities will include ensuring financial needs are met at optimum cost during both the project and operational stages, identification and development of management accounting systems, reviewing financial structures against changing financial environments and ensuring compliance with local and international accounting practices.

The opportunities for job satisfaction, career accomplishment and the achievement of personal financial goals are self-evident. To meet the challenge, you will need a degree and a professional accounting qualification, with significant financial management experience gained in the refining industry.

Dubai is a thriving city and provides the primary commercial centre of the region with cultural and social lifestyles in line with European tastes.

The post will be on a family status contract, with provisions for accommodation, education, and car purchase expenses, medical care, free paid home leave and a range of benefits. The negotiable salary will be highly competitive and tax free.

If you feel you can handle this challenge, then please send two copies of your CV to Greg MacDonald at Moxon Dolphin Kerby International, 178-202 Great Portland Street, London W1N 6JJ, quoting Ref: L1818 Fax: 0171 636 4977. Alternatively, apply on-line via The Monster Board <http://www.monster.co.uk>

MOXON-DOLPHIN-KERBY

University College Dublin

An Coláiste Oilecole Baile Átha Cliath

Applications are invited by the Governing Authority of the University for the following full-time statutory post:

PRICE WATERHOUSE PROFESSORSHIP OF ACCOUNTING (Ref: 88/98)

In accordance with the terms of the post this appointment shall be initially for a period of five years. The Professorship is funded by Price Waterhouse.

The annual stipend attached to the office is in the range IR£44,446 - IR£57,418 (new entrants). Prior to application, further information (including application procedure) should be obtained from the Personnel Office, University College Dublin, Belfield, Dublin 4, Ireland (quoting above reference number). Telephone enquiries: (353 1) 706 1653. Fax: (353 1) 269 2472. Email: acadrec@listserv.ucd.ie

Further information about the University and the Department may be obtained from <http://www.ucd.ie/~account/home.html>

Closing date: Not later than 5.00 p.m. on Thursday, 23 July 1998.

UCD is an equal opportunities employer

Appointments Advertising

appears in the UK edition every Monday, Wednesday & Thursday and in the international edition every Friday. For further information please call: Karl Loynton on +44 0171 673 3694

FINANCIAL PLANNING AND ANALYSIS

FTSE 100 BUSINESS

To £80,000 + bonus + benefits

West of London

The Company is a £multi-billion UK supplier of branded consumer products and services; a household name with a highly sophisticated approach to financial management.

This is a key role reporting directly to the Finance Director and carrying full responsibility for the provision of a proactive management accounting and information service as well as financial appraisal of new ventures, acquisitions and investments. Leading a team of 30 you will make full use of Activity Based Management, cost/benefit analysis and benchmarking methodologies.

The role calls for a qualified accountant, possibly an MBA, with strategic vision and an outstanding record of leadership in financial planning and analysis. Key personal qualities are conceptual thinking, commerciality, communication and results focus.

Please write in confidence, with CV and remuneration details, to Criterion Search, 50 Regent Street, London W1R 6LP, quoting ref: 2085. Tel: 0171 470 7108. Fax: 0171 470 7171.

CRITERION SEARCH
PART OF THE CURZON PARTNERSHIP

STEPPING STONE TO FINANCIAL DIRECTORSHIP

BRIGHT YOUNG ACA — London — from £45,000 + car + bonus

This is an outstanding opportunity for a young chartered accountant seeking an entry point to a substantial blue chip group with extensive worldwide interests. It is an established training ground and stepping stone to senior operating company financial management.

Working in the head office for the Group Finance Director on wide ranging ad hoc financial and business projects will provide invaluable commercial experience and scope to enhance and demonstrate analytical and reporting skills.

Specific responsibilities will include managing a small team which prepares the Group's financial information. This will provide an

insight into all the Group's activities and ensure close contact with Divisional Finance Directors. Initiative, presence and strong communication skills are therefore essential. Ideally aged late 20s/early 30s, applicants should have proven management experience, preferably in a major accountancy firm.

A competitive package will be offered to maintain the record of attracting talented candidates with the calibre and potential to progress to a financial directorship within the Group.

Please write, enclosing a career/salary history, to David Tod BSc FCA quoting reference D/357/F.

LYOYD MANAGEMENT, SELECTION CONSULTANTS 125 HIGH HOLBORN LONDON WC1V 6QA. 0171-405 3499

Lloyd Management

Successful and very ambitious... Liverpool Victoria

that's us, how about you? The Friendly Society

Group Finance Manager

£52k + bonus + exec car + benefits
Bournemouth

The Liverpool Victoria Group has been driving forward into the modern world of insurance and financial services with an ever growing strength and presence. They offer a progressive base of services including life, general insurance, banking, savings and mortgage products. Currently funds stand at £4 billion and they have over 2 million customers.

They are an acquisitive and dynamic group, having purchased the Fittell Group in 1996 as well as more recently a quarter of a million motor and household insurance policies under the Landmark name from AIG. Thus they have been able to form and add to their own general insurance underwriting business creating the third largest direct line operation in the UK.

The Group is committed to a three year programme of strategic expansion by building on its current loyal customer base and expanding and developing product lines and distribution channels.

Their successes and ambitions speak for themselves.

A real career opportunity has arisen within the Finance Team which reports to the Financial Director. You and your staff of 30 will have primary responsibility for the management and financial accounting of the Group, together with the relevant regulatory and statutory obligations. Of equal importance is the ability to manage change resulting from the Group's continuing growth. This involves challenging existing systems and procedures.

The role presents excellent opportunities for career advancement and personal development.

Candidates will be qualified accountants with at least 5 years' PQE, proven ability to lead a strong team and the confidence to make a significant contribution from day one. Experience of a major financial services organisation would be an advantage. In return you can expect a remuneration package which fully reflects the importance of this key role.

If you feel your ambition and success matches theirs please contact Peter Coleman at our retained consultants, Robert Half International, 6 The Carronades, New Road, Southampton SO14 0AA. Tel: 01703 718900, Fax: 01703 231850, E-mail: southampton@roberthalf.co.uk

ROBERT HALF

A Division of Robert Half International

London • Brussels • Paris • Amsterdam
New York and over 200 offices worldwide



FINANCIAL CONTROLLER/DIRECTOR DESIGNATE

The Company

Based in Devon, Westomatic Vending Services Limited are the UK's leading manufacturer of automatic vending equipment. With over 30 years' experience they have established an international reputation for high quality products. As a result of their continuing growth the company is now seeking an experienced Financial Controller to maintain and develop the operational effectiveness of the business.

The Position

Working closely with the dynamic Managing Director, you will be responsible for all financial/management accounting (including company secretarial functions) within a high-tech manufacturing company with a customer focused business approach.

The Appointee

The ideal candidate will be:

- Self motivated with the ability to motivate and manage personnel at all levels.
- An energetic, hands-on mature qualified accountant with relevant commercial expertise at Financial Director level.
- A good communicator with a practical approach and diplomatic personal style.
- Ability to contribute to the strategic development and management of the business.

The Benefits

The successful applicant can expect an excellent remuneration package of circa £80,000 together with an opportunity of directorship appointment in a progressive and dynamic organisation.

To apply please write, enclosing your CV, to Hays Accountancy Personnel, 2 Southernhay West, Exeter, Devon, EX1 1JG. Tel: 01392 412454. Fax: 01392 420067.

Hays Accountancy Personnel

Devon

£80,000

package

Hays

Global Investment Management Group

Fund Accounting Supervisors, Geneva
£ Competitive Package

Established for over 60 years and managing assets of over \$360 billion, this company remains one of the most successful, investment management firms in the world. Employing over 4000 people worldwide, with offices in the U.S., London, Geneva, Hong Kong, Singapore and Tokyo, the company is unique in that it is, and will remain, primarily owned by the employees. Because of this the culture is a truly global one, where highly qualified professionals from all fields work together in an atmosphere of excellence and stability. The environment allows them to be creative, involved and appropriately rewarded.

The company is seeking to strengthen its European operations by appointing two qualified accountants to supervise two teams of fund accountants. You will be responsible for supervising the day-to-day activities of one of these fund accounting groups. The job will require a strong ability to establish positive working relationships with associates at all levels within fund accounting, operations, marketing and other departments globally across the whole of the group.

You should be a qualified accountant (ACA or CIMA) willing to relocate to Switzerland for several years. Your work background should preferably involve some international exposure. Fund accounting experience and the ability to speak Italian or French would be useful, but are not pre-requisites. Of equal importance are an excellent academic record, an ability to supervise staff and communicate effectively, and the desire to work in a global culture.

If you would like to find out more about this position then please send your CV to our retained consultant, Julian Evans, at Badenoch & Clark, 16-18 New Bridge Street, London EC4V 6AU, fax no: 0171 353 3908, or call for a confidential discussion on 0171 583 0079. E-mail: j.evans@badenochandclark.com. Web site: <http://www.badenochandclark.com>

BADENOCH & CLARK
recruitment specialists

Finance Director

Commercially focused
change agent

North West

£50,000

+ bonus + benefits

BARNES KAVELLE LIMITED
Delivering Effective Human Resource Solutions

This £25m turnover consumer goods manufacturer is one of the UK subsidiaries of a major international group. The company operates as an autonomous profit centre, has enjoyed considerable capital investment and exports more than half of its output. It is ISO 9002 accredited, and has an Investors In People award.

As Finance Director you will report to the MD, and will manage all finance, company secretarial and IT matters on a day to day basis through your own team. You will be required also to contribute on a broader front to the strategic management of the business, and will be expected to bring a sharp commercial focus to board level decision making.

This demanding role requires good technical accounting skills, well developed people management abilities and a talent for challenging (and changing) the status quo. It needs a bright, energetic and proactive graduate level qualified accountant, with sound experience of manufacturing industry - including a good grasp of standard costing. Your experience should also have exposed you to head office and operating company environments, and will ideally have included forex and international reporting.

Please write enclosing comprehensive CV and salary details, quoting reference 0806, to Neil McLaughlin, Barnes Kavelle Limited, Human Resource Consultancy, Cavendish House, Littlewood Court, Bradford, West Yorkshire BD19 4TE.

COMMERCIAL MANAGER

West Midlands

£35-45,000

+ Car + Bonus + Bonus

HW

مكتبة القرآن

An Exceptional Opportunity Director of Finance

COMPETITIVE PACKAGE

MIDLANDS

Our Client is a market leader in the manufacture and distribution of Chilled and Frozen food products, with an enviable record of sustained growth in sales and profitability. Annual turnover is around £50m and following a successful expansion into European markets, is expected to grow to £100m within the next three years. The Company seeks to appoint a Director of Finance to join the management team and play a pivotal role in the further development of the organisation.

THE ROLE

- Reporting to the Managing Director and expected to play a full role in the strategic management of the company.
- Lead the Finance team in the provision of timely financial and operating reports to the Board.
- Financial planning and forecasting. Treasury function and optimisation of working capital management.
- Advise the Board on the exploitation of commercial opportunities, including acquisitions and mergers.
- Responsible for the development of reporting and IT systems consistent with supporting the developing needs of the business.

THE PERSON

- Ideally a graduate and FCA with at least 7 years post qualification experience and a well developed network of financial contacts.
- A sound record of achievement in financial management within a fast moving FMCG manufacturing environment. A knowledge of export procedures is required.
- Outstanding commercial acumen with creative vision and a flair for innovative solutions.
- Excellent interpersonal skills, determined, ambitious and able to advise on a wide range of strategic issues.

This is an exceptional opportunity and salary will not be a barrier for the right candidate. For an informal discussion tel: 0171-917-9461, or send CV (ref. 010975) in complete confidence to John Mason, Director.

SCOTT JARDINE

Search • Selection • Assessment
212 Piccadilly, London W1V 9LD
E-mail: scott-jardine@emon.co.uk



BIRMINGHAM • MANCHESTER • BRISTOL • DERBY

THE BOSTON CONSULTING GROUP

HEAD OF LONDON FINANCIAL CONTROL IN LEADING GLOBAL STRATEGY CONSULTANCY
LONDON ATTRACTIVE PACKAGE

The Boston Consulting Group (BCG) is dedicated to developing and implementing strategic change in some of the world's leading companies. Operating out of more than 40 offices around the globe, BCG consultants work closely with senior management on the issues of business direction, performance and change. BCG's ideas have changed the way companies think about strategy. As a result, BCG is one of the fastest growing and most successful management consultancies in the world.

- The new position of Head of London Financial Control has been created to provide the financial control that will enable the continuing rapid growth of our business.
- Reporting to the Head of the London Office, your primary responsibilities will be to help the management team ensure continuing improvement of the financial control and performance of our business.
- Likely to have a first class academic background and accountancy qualifications, and be in your 30's or 40's, you will ideally be an experienced accountant with prior success in a professional services or similar environment.
- Able to operate effectively in a fast paced, non-hierarchical environment you will be adaptable, flexible, but with personal style, enthusiasm for responsibility and an ability to deliver. You will be strongly commercially minded and able to communicate effectively with senior personnel.
- Working alongside our Company Secretary and other senior managers, you will enthuse at building your team and the infrastructure as you create our world class control function.

Please apply in writing with full career and salary details to:

Helen Tansley, Human Resources Coordinator,

The Boston Consulting Group, Devonshire House, Mayfair Place, London W1X 5FH

COMMERCIAL MANAGER

West Midlands

£35-45,000
+ Car + Bonus + Bens

An exceptional greenfield opportunity for a self-starter to influence the commercial direction of this major FMCG business.

A £multi-billion enterprise with operations throughout the British Isles, Europe and the USA, this food sector client is able to provide substantial career advancement for a qualified accountant who can demonstrate business flair, change management experience and an operational bias. As a result of the merger of two businesses, this newly created position offers tremendous scope for the realisation of your true potential.

Reporting to the Group Board and local Divisional Heads, your initial remit will be to assess the strengths and weaknesses of the merging businesses, to identify key performance indicators and implement a project led

business plan to focus on commercial opportunities and systems improvements.

The ideal candidate will be commercial and creative with experience of working within an FMCG/food manufacturing environment, with a genuine passion for performance improvement and people development.

To apply for this challenging career move, contact Russell Luck on 0121 633 0010 or write to him at Harrison Willis, Grosvenor House, Bennetts Hill, Birmingham B2 5RS. Closing date for applications is 19th June 1998.

E-mail: stephen.randall@hwgroup.com
Internet: www.hwgroup.com



HW

BIRMINGHAM • BRISTOL • CARDIFF • CROYDON • DUBLIN • GUILDFORD • LEEDS • LONDON
MANCHESTER • MIDDLESEX • NOTTINGHAM • READING • ST ALBANS

INVESTOR IN PEOPLE

SENIOR EUROPEAN FINANCIAL CONSULTANT

Western Europe

To £65,000
+ Benefits

Our client, a world leader in the manufacture of consumer durables with annual net sales in excess of £10 billion, is seeking an experienced Finance Professional with a visionary approach to oversee the restructuring and control of the financial activities within its European business.

Working alongside the key Financial Managers in Europe, you will be specifically responsible for:

- Development of change management practices;
- Total process re-engineering;
- Development of a shared services centre;
- Implementation of best practices;
- Implementation and development of an IT Business Model;
- Alignment of activities throughout the European offices.

A qualified Accountant with several years' experience gained in either a High Tech or FMCG business environment, you will also have an outstanding record of change management. You must possess strong project management skills allied to

TQM and shared service set up experience.

European experience together with a second European language would be a distinct advantage. The role will involve up to 50% travel and can be based out of one of our client's European sites.

The successful candidate will demonstrate the ability to challenge current practices at all levels within the organisation. They will also be able to demonstrate a high level of commitment, drive and vision.

Interested candidates should write to James Sherwin or Rebecca Langley at Harrison Willis, 31 Upper Merion Street, Dublin 2. Tel: 00 353 1 618 2022. Fax: 00 353 1 618 2061. E-mail: rebecca.langley@hwgroup.com
Internet: www.hwgroup.com



HW

BIRMINGHAM • BRISTOL • CARDIFF • CROYDON • DUBLIN • GUILDFORD • LEEDS • LONDON
MANCHESTER • MIDDLESEX • NOTTINGHAM • READING • ST ALBANS

INVESTOR IN PEOPLE

Financial Controller £55-65,000 - Car + Bonus - North West

'Our duty is ... to conduct the business with every care and energy of which we are capable.'

This company statement reflects the ambitions of our client, one of the leading Logistics organisations in the country. As an integral part of a major company they now require a senior manager within the finance department who will be responsible for:

- Providing the interface between finance and other managers
- Managing and controlling the finance function
- Leading, developing and motivating the finance team
- New systems implementation and project work

A qualified accountant with at least 4 years industry and some relevant Logistics experience, you will possess a highly commercial outlook that will help enhance the strategic development of the company. You will be a problem identifier and solver with strong communication skills and the ability to successfully manage change.

To discuss this opportunity telephone Stephen Fletcher on 0161 831 3300 quoting reference no: 63121 or alternatively send your details to the address below:

Amethyst House
Spring Gardens
Manchester
M2 1EA
Tel: 0161 831 3300
Fax: 0161 832 8123
E-Mail: em620@psdgroup.com
Internet: www.psdgroup.com



INVESTOR IN PEOPLE

PSD

Finance and
Accountancy
Recruitment

FINANCIAL CONTROLLER

Central London

£50,000

The Company

Our client is the European research and development division of one of the world's largest pharmaceutical companies, with global business activities and the head office in Japan. Due to restructuring of its European operations, a new vacancy has arisen.

The Position

Working closely with the finance and other directors, your challenges will include control of all accounting activities throughout the UK, ensuring tight cost control is maintained and managing the treasury function and cashflow. Particular emphasis will be placed on establishing control of costs and strategic forecasting of long-term, Europe-wide projects. You will also be involved in developing financial systems.

The ability to liaise with non-finance functions, including project management, is vital to the success of this role, as well as being able to establish strong working relationships at all levels.

The Appointee

A graduate qualified accountant with at least four years post-qualification experience, you will have excellent communication skills and have worked in a head office function. You will have technically sound experience of both financial and management accounting and have extensive experience of monitoring costs.

You will need to demonstrate:

- an accurate calm approach
- a stable work history
- excellent communication skills

Experience of working in a pharmaceutical company would be of interest.

To apply please write, enclosing your CV, to Hays Accountancy Personnel, Senior Division, 14 Great Castle Street, London W1M 7AD. Tel: 0171 436 9964. Fax: 0171 436 8285.



Hays Accountancy Personnel

European Financial Controller

Thames Valley

£70,000 + benefits

Our client is a leading name in the world of information technology with a global reputation for the quality of its products and services. In an increasingly sophisticated and demanding market place, its European business is currently enjoying substantial success and is poised to exploit new market sectors as well as continue to grow its core business. Reporting directly to the Senior Vice President of Finance.

This key role is to:

- Lead, develop and motivate the group finance team through a period of substantial change and development.
- Develop new financial systems and enhance the reporting and consolidation process designed to meet tight deadlines.
- Establish best practice in financial processes and controls throughout the region.

The ideal candidate will be:

- Graduate qualified accountant with 5-8 years PQE gained at the centre of a growing international organisation, with knowledge of US GAAP and ideally experience of dealing with tax, treasury and the effective use of IT.
- Flexible, hands-on approach and sharp mind, combining strong technical expertise with a commercial perspective.
- Ability to communicate effectively at all levels within customer focused, multi-cultural environment, with proven staff management skills.

Please write in confidence, giving full career and current salary details, quoting reference SJW2773.

Tel: 0171 499 8811
e-mail: o8co@odgers.com

ODGERS EXECUTIVE SELECTION



7 Curzon Street,
London W1V 7FL

A DIVISION OF ODGERS INTERNATIONAL

Smith & Nephew is a leading worldwide healthcare Group which develops, manufactures and markets a wide range of innovative and technologically advanced tissue repair products, primarily in the area of bone, joints, skin and other soft tissue. In particular, the Company applies technology to provide real benefit to healthcare professionals and their patients through improving patient care, reducing healthcare costs, and educating and training healthcare professionals.

Smith & Nephew Medical Fabrics is one of the Company's major operating Divisions within the UK and is primarily responsible for the manufacture of high performance fibre based materials for healthcare applications.

This is a newly created position with responsibility for managing the Division's financial function. Reporting to the Financial Director you will provide key advice and information to Divisional management in order to assist with decision making and control of a £35m business, whilst overseeing the day to day activities of the department's staff.

You will participate in and be expected to make a significant contribution to the continued growth of the Division through decision making and analysis, and have the ability to develop a world class function consistent with our on going needs.

A full qualification through a major professional accountancy body together with at least 5 years' post qualifying experience is required, but equally important will be your senior management credibility which needs to be combined with first class communication, strong leadership and clear, concise presentation skills. Success in this role will bring excellent opportunities for further career progression.

If you believe you have the necessary skills and background please write, with full CV to: Peter Carrill, HR Manager, Smith & Nephew Medical Fabrics Limited, Brierfield, Nelson, Lancashire BB9 5NJ or e-mail to Peter.CARRILL@Smith-Nephew.com

Alternatively, apply online via The Monster Board at:
<http://www.monster.co.uk>

Smith+Nephew

IT Appointments

SENIOR QUANTITATIVE ANALYST C++ QUANTITATIVE DEVELOPERS

GLOBAL INVESTMENT BANK FIXED INCOME AND CONVERTIBLE BONDS

£££ SUPERB PACKAGES

CITY

This is one of Europe's and the world's most successful banking institutions with a powerful global presence and a strong reputation for leadership in financial product development and technical innovation. They are now seeking to recruit a talented quantitative analyst and a number of quantitative developers to further strengthen both their London trading activities and various new risk management initiatives. Both quantitative analysts and developers work together to develop, enhance and integrate trading and market risk models, libraries and strategies.

You should have an excellent science/mathematics academic background including a 1st/2.1 honours degree from a top-tier university and preferably a higher

degree. You should have a minimum of one year's financial experience. For the developer positions a strong software engineering background is required. Successful candidates will have excellent C/C++ and some of the following: Visual C++, Visual Basic, Excel, Numerical Methods etc. Enthusiasm will be a distinct advantage.

Remuneration packages are superb and include substantial bonuses and benefits and a review in six months.

In the strictest confidence, please send a full CV to Craig Millar or Shelley Ashkin at Millar Associates, 6 Sloane Street, Knightsbridge, London SW1X 9LE. Please quote reference FT0306. Tel: 0171 823 2222. Fax: 0171 823 2308. Email: millarassociates@sw1.telnor.com

Millar Associates
INTERNATIONAL SEARCH & SELECTION

Business Analysts & Project Managers INVESTMENT BANKING

CITY

£30-62,000 + Banking Benefits

A leading European Investment Bank is currently searching for high calibre Business Analysts and Project Managers to complement their existing and outstanding global IT infrastructure.

These recruits are to further facilitate globalisation within the organisation. The London office is key to the firm's IT development structure, providing a complete range of investing and financial services particularly within Fixed Income and Equities.

Business Analysts are required ideally with specific knowledge in Fixed Income and Equities together with first class communication skills. The work will include Front-Middle-Back Office projects including Trading Systems, EMU, Risk Management and Year 2000.

Project Managers need to demonstrate a strong track record of managing projects within a financial services environment. Projects include rolling out new systems to support the business on a global basis, EMU, Product Control, Credit, Market Risk, Operations and Year 2000.

All candidates must come from a solid IT full project development lifecycle background and be obviously experienced and capable of driving the business forward from an IT perspective.

These are clearly high profile positions within strategic projects with the enlisted support of the highest management. Our client, therefore has a dedicated commitment to IT and its critical relationship to the business.

Please contact Danielle Lorenz

Huxley
Associates

INVESTMENT BANKING
17 St Helen's Place, London EC3A 6DE

Telephone: 0171 335 5888
Mobile: 0468 175 002
Fax: 0171 335 0008
Email: d.lorenz@huxley.co.uk

perotsystems™

Banking Systems Design & Implementation

GLOBAL PRIVATE BANKING NETWORK

EXCELLENT EXPAT PACKAGE

SWITZERLAND

Banking Consultants • Business Analysts • Project Office • Systems Implementors

We are rapidly emerging as one of the world's most innovative and exciting technology services companies and as a leader in the global financial services market. With over 5,000 professionals located in strategic centres worldwide, we are continuing to experience exceptional growth. Our success is based on a unique culture which encourages brave, original thinking and high levels of ownership and responsibility.

We are about to embark on a major project to develop a global private banking network for one of the world's foremost banking organisations. This will utilise current and evolving package technology linked to advanced "virtual banking" facilities delivered direct to the bank's clients.

We seek to establish a core team of specialists based in Switzerland to specify, design and develop the system and to lead the implementation worldwide.

You are likely to have at least 5 years experience mapping technology onto banking environments, including package integration, and have gained particular knowledge in one or more of the following areas:

- Foreign Exchange
- Money Transfer
- Securities Management
- Unit Trusts
- Private Banking

Strong customer communication skills are essential and fluency in German, Spanish or French would be advantageous.

The outstanding quality of life in Switzerland and the "continental experience" are added attractions of these challenging and stimulating positions. As well as an excellent remuneration package these roles attract full expatriate benefits including housing allowance, relocation and education.

To apply, please send your CV to Rick Allison, quoting reference FT0306, at The Allison Partnership, Cannon Centre, 70 Cannon Street, London EC4N 6BH. Tel: 0171 636 2277. E-mail: rick@allison.co.uk. Telephone: 0171 825 2256 (Office), 01882 661 429 (Home).

THE ALLISON PARTNERSHIP

C++ ANALYTICAL DEVELOPERS

CITY

£ Excellent Package

The Equity Capital Markets group of a leading European Investment bank is seeking to recruit outstanding mathematical developers. Headquartered in London, our client has a global presence in over 45 countries around the world and main centers in Frankfurt, New York, Tokyo and Sydney. As one of the leaders in their field, our client's objective is to maintain this position through intensive investment in technology, personnel and training.

As part of ECMG, you will be a key member of the team consisting of Quantitative Analysts, Researchers and Marketers, focusing on the development and implementation of complex business solution for the trading floor community. In addition, your brief will include the provision of internal risk management consultancy services to the global group, as well as evaluation and testing of models, risk management methodology, development and implementation and the delivery of all such products.

Background

- Graduate in mathematical/computing discipline (2.1 or above)
- 18 months + post graduate software development experience preferably in a financial environment.

Skills & Attributes

- Strong applied programming skills
- C/C++/Visual Basic/CORBA/JAVA skills
- Excellent mathematical and analytical skills
- Team orientated
- Ability to work to tight deadlines in a pressurised environment

This is a one-off opportunity for high calibre candidates with strong analytical and programming skills to gain a sound knowledge of complex and sophisticated financial products and simultaneously work on leading edge technologies.

For this position and others please contact Sally Mullan or Mike Sherwin

Huxley
Associates

INVESTMENT BANKING
17 St Helen's Place, London EC3A 6DE

Telephone: 0171 335 5890
Mobile (Mike): 0411 717780
Mobile (Sally): 0961 101566
Fax: 0171 335 0008
Email: jobs@huxley.co.uk

The Concoirs Group

Delivering and Selling Professional Services

London based **Six Figure Remuneration**

Concoirs is a new breed of management consulting firm which integrates world class management education and fast-cycle, research-based consulting. We enable clients to master critical issues in business and information technology management and to turn potential into business value. Our education programmes expand our clients' management development capabilities and feature the world's thought leaders. Our Results research projects are a unique form of consulting cooperative which deliver fast-cycle results in 90 days. Our consulting practice is distinctive as our approach is based on the accelerated delivery of business outcomes by experienced consultants.

Concoirs was established in the United States at the beginning of 1997. We are now ready to bring our unique approach to Europe. We immediately need very senior professional staff to join our European operation at its formation.

CONSULTING

Senior partner-level consultants who want to leverage their experience for client benefit in an organisation which values the ability to innovate and who are probably currently being stifled in a more traditional consulting environment.

RESEARCH

Experienced business and information technology executives who want to work in a disciplined, fast-cycle research environment which is dedicated to delivering pragmatic, action-oriented insights on tomorrow's critical issues.

SALES

Senior sales executives to sell professional services, management consulting, education and research. Please submit your career details in confidence by mail, fax or e-mail to our advisers at:

Madar

The Courtyard, Smith Street, London SW3 4EE
Fax: 0171 730 9227 E-mail: jmad@denham.demon.co.uk
The Management Selection Division of Dennis & Giffill International & Partners

FT IT Recruitment appears each Wednesday in the UK edition, and each Friday in the international edition

For more information on how to reach the top IT professionals in business call: Chris Ibbotson on +44 171 873 3351

KUDELSKI PAY-TV SOLUTIONS SWITZERLAND

NAGRAVISION, a Division of the Kudelski Group, is a world leading supplier of highly secure digital Pay-TV and Conditional Access systems.

To reinforce our global market presence we are creating the position of

SALES & MARKETING DIRECTOR ON THE BOARD OF DIRECTORS

Our ideal candidate has the following profile:

- University graduate, if possible with an MBA, or other equivalent post-graduate qualification
- Extensive sales experience in the area of television or communication-related systems and services
- Good knowledge of international markets
- French, English or German mother tongue, but perfectly fluent in at least French and English, both spoken and written
- Ideally between 30 and 40 years old

As a member of the Board of Directors, the Sales & Marketing Director reports directly to the Chairman. Key responsibilities include sales and promotion of systems and services and setting up of sales strategies. Leading the sales team, the candidate will generate a turnover in the region of 100 million Swiss francs.

This position requires a high calibre sales personality with a dynamic approach. The candidate must be willing to travel extensively. Tasks include managing, leading and supporting subsidiaries and sales outlets throughout the world.

Please send a full CV, including copies of certificates and current salary to:

MAGNETAT CONSEILS D'ENTREPRISE, Ressources humaines - Formation, réf. 99, Jomlin 5 - CP 160, 1015 Lausanne 18, Switzerland

Or by e-mail to: hugon@nagra-kudelski.ch

Middle Office Operations Manager

City

Salary package c.£45,000 + benefits

Our Client is a well established medium sized investment and securities firm with a strong private client base and rapidly expanding institutional business.

In order to support the firm's growth, the firm is restructuring its Operations team and has identified the need for a middle office Manager.

Reporting directly to the Head of Operations and playing an integral role on the Management Operations and Executive Liaison Committees, he/she will focus on managing and developing four small teams. The teams are currently responsible for Database Management, Private Client Reporting, Fee production, PEPs and the integration and development of the institutional system.

Candidates must have a minimum of four years hands on operations experience within the industry and have an innovative and creative approach to IT problems. Proven project management and delegation skills are essential.

Strong negotiating and written expertise plus a good working knowledge of current investment management, compliance and tax issues will be of prime importance, for this challenging role, which will provide a major liaison point between the Executives and the Operations team.

Interested candidates, ideally aged between 28 and 35, should send or fax CVs to: Carol Jardine, Jardine Kelso, 53 Shepherd's Hill, London N6 5QP stating current salary and quoting reference number JK/0074. Fax 0181 341 4463.

JARDINE KELSO

IT DIRECTOR

INVESTMENT MANAGEMENT

SIX FIGURE PACKAGE / LONDON

A leading worldwide fund management business with headquarters in London. The company has nine international offices and invests over £130 billion on behalf of its clients. The group has an enviable investment performance record and is actively engaged in developing its global brand. Critical to the company's continued success is the effective deployment of leading-edge information technology solutions throughout the group.

THE POSITION

- Develop and implement an effective IT strategy to support the changing needs of the worldwide organisation.
- Promote IT as a global function. Lead a substantial team in London. Provide directional and functional leadership worldwide.

- Gain support from senior management for significant investment in technology.
- Deliver state of the art front-office systems through a consistently high quality and customer service oriented approach.

QUALIFICATIONS

- Outstanding IT Manager with first-class record of success in the design and implementation of global information strategies.
- Financial services sector experience is essential, and ideally will include exposure to the investment management business.
- Inspirational leadership, communication and influencing skills. Strong relationship builder. Highly credible at board level.

SAINTY HIRD & PARTNERS

SHP
ASSOCIATES

Please send a full cv and current salary details, quoting reference 900206, to SHP Associates, Aldermany House, 10-15 Queen Street, London EC4N 1TJ. Tel: 0171 815 8888. Fax: 0171 815 8996. E-mail: shp@shpa.co.uk

مكتبة الامير